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FINANCIAL TIMES

World Business Newspaper

FRIDAY APRIL 12 1996

Today's surveys
Business Books
Indian Finance
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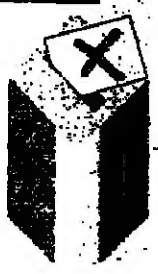

Italy votes
Avoiding real challenges
Sergio Romano, Page 18

Reforming Suez
New blood at the French group
Page 21

TOMORROW'S
Weekend FT
Living with nuclear mess

Wholesale price rises hit Wall St stocks and bonds

US stocks and bond prices dipped sharply after the Labour Department said wholesale prices rose by a 0.5 per cent last month. The higher-than-expected increase was interpreted by some investors as a sign of renewed inflation, sending the Dow Jones industrial average down as much as 70 points before it recovered to be down 26.37 at 5,459.61 in the early afternoon. Page 20; Bonds, Page 34; World stocks, Page 44

Metsä-Serla, the Finnish pulp and paper group, said profits in 1996 would be less than half last year's FM1.91bn ($412m) amid a steep decline in pulp prices. Page 21; US paper profits down, 25

Dusseldorf airport fire claims 15: At least 15 people died and 100 were injured in a fire in the arrivals section of the airport at Dusseldorf, north-west Germany, which serves both international and domestic flights.

S Korean party set to lose majority: South Korea's ruling party appears to have lost its parliamentary majority – winning an estimated 141 of the 299 seats in the National Assembly with more than two thirds of the votes counted. Page 20

Grupo Santander of Spain is to merge its Chilean banking operations with Banco Osorno, to create Chile's biggest financial institution, with total assets of $7.9bn. Page 21

Israel attacks Hizbollah bases: At least four Lebanese civilians died after Israel attacked Beirut and other parts of Lebanon using helicopters and jet fighters in retaliation against rocket attacks by Hizbollah on its northern settlements. Page 4

Russia queries African nuclear treaty: Africa was declared a nuclear-free zone after 43 states signed a treaty in Cairo, but the ceremony was marred by Russian reservations about the document. Page 4

Lyonnaise des Eaux, the French utilities, construction and communications group, reported net income down 15 per cent to FFr906m ($178m) for 1995 after restructuring in several of its subsidiaries. Page 23

Britain's Labour leader signals policy shift

UK opposition Labour party leader Tony Blair (left) signalled a shift in the party's traditional economic approach and ideology during a speech in New York, saying a Labour government would be "of the radical centre" – and pointedly not of the left. He told the British American Chamber of Commerce that "some of the old distinctions between left and right have frankly become meaningless". Page 8

IMF plans $900m Ukraine loan: The International Monetary Fund will be asked to approve a new $900m loan to Ukraine to limit the economic damage from this month's unexpected decision to withhold support. Page 2

Spain protests over Gibraltar drugs: Spain called in the British ambassador to protest over what it said was insufficient action by London to curtail smuggling from Gibraltar following the death of a Spanish policeman chasing drug runners allegedly based in the British crown colony. Page 2

Yugoslavia bank feud: A feud has surfaced in Belgrade between Yugoslavia's national bank governor, Dragoslav Avramovic, and his government over monetary policy, International Monetary Fund membership and privatisation. Page 3

Infogrames Entertainment of France is to acquire UK-based Ocean International in a deal valued at about $100m, creating the biggest interactive computer games company in Europe. Page 23

Volkswagen, Europe's biggest carmaker, is expanding in eastern Europe through its Czech subsidiary, Skoda, which plans to build cars in Russia and Belarus and raise output at its Polish and Czech plants. Page 6

Vietnam oil deal prompts warning: China issued a warning to Vietnam after it signed a contract with Conoco of the US to explore for oil in a disputed area of the South China Sea. Page 7

Cunard faces $22m damages claim: Egyptian authorities are seeking £15m ($22.8m) in compensation from Cunard for damage to a coral reef in the Red Sea when the company's Royal Viking Sun luxury cruise liner ran aground last week.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,455.64	(-30.34)
NASDAQ Composite	1,086.94	(-8.34)
Europe and Far East		
CAC40	2,072.52	(-21.42)
DAX	2,509.71	(-20.31)
FT-SE 100	3,744.2	(-23.2)
Nikkei	21,894.43	(-97.27)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.062%
Long Bond	88¾
Yield	6.942%

OTHER RATES

UK: 3-mo interbank	6%	(6 1/32%)
UK: 10 yr Gilt	95 7/16	(95 13/32)
France: 10 yr OAT	104.73	(105.08)
Germany: 10 yr Bund	96.35	(96.9)
Japan: 10 yr JGB	98.338	(98.551)

NORTH SEA OIL (Argus)

Brent 15-day	$23.86	(22.6)

GOLD

New York: Comex		
(Jun)	$398.3	(397.5)
London:		
close	$394.6	(395.2)

DOLLAR

New York: lunchtime		
£	1.5125	
DM	1.50265	
FFr	5.1012	
SFr	1.2178	
Y	108.49	
London:		
£	1.5137	(1.5165)
DM	1.5013	(1.4997)
FFr	5.1012	(5.0978)
SFr	1.2178	(1.2165)
Y	108.49	(108.495)

STERLING

DM	2.2725	(2.2743)
Tokyo close:	Y 108.45	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh18	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira80	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Estonia	Ekr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)	Es240	Turkey	L80,000
France	FFr11.50	Lebanon	L£3,000			UAE	Dh12.00

US aircraft maker wants 400-seater to compete with the Boeing 747

McDonnell Douglas plans big jet

By Michael Skapinker in London

McDonnell Douglas of the US, the world's third-biggest civil aircraft maker, plans to build a 400-seat long-haul jet to compete with Boeing's 747, which has dominated the market.

McDonnell Douglas's plans come shortly after the announcement by Airbus Industrie, the European consortium and world's second-biggest civil aircraft manufacturer, that it intends to build new jets to take on Boeing.

All three manufacturers believe there will be increasing demand for aircraft capable of carrying large numbers of passengers over long distances, particularly in the Asia-Pacific region.

McDonnell Douglas's plans were revealed yesterday by Mr Michael Sears, newly-appointed president of Douglas Aircraft, the group's commercial aircraft unit.

Mr Sears said the larger aircraft could use the fuselage of the company's 300-seat MD-11, but would have new wings.

Mr Sears said: "We know the MD-11 needs a big brother. Over the next six months or so we will define what we would like to do with that big brother."

Boeing's 747 jet is the only aircraft capable of carrying 400 passengers. Airbus' largest aircraft, the A330, carries 335. Boeing's dominance of the large jet market has allowed it to charge full price for its 747-400, while discounting heavily on aircraft which compete with McDonnell Douglas and Airbus.

A decision by McDonnell Douglas to build a 400-seater would still leave it trailing its larger rivals, which are planning even bigger aircraft.

Boeing expects to start work before the end of the year on the 747-600X, an enlarged version of the 747-400 which could carry more than 500 passengers. Airbus says it hopes to announce by the end of next year that it will build the A3XX, which could carry 550 passengers.

Mr Sears said McDonnell Douglas was not in a position to develop a competing "super jumbo" but said that once the company had a 400-seater it could think about building even larger aircraft.

Many in the industry believe McDonnell Douglas, the world's biggest producer of military aircraft, has no long-term future in the civil jet business.

In February last year, the group placed newspaper advertisements denying that it was going to suspend production of the MD-11.

Later in the year it held merger talks with Boeing, which analysts said could have led to McDonnell Douglas's civil business being wound down.

The merger talks failed, however. The appointment of Mr Sears is intended to signal the group's determination to remain a manufacturer of civil aircraft.

Mr Sears, 48, previously headed McDonnell Douglas's F/A-18 Hornet strike fighter programme, one of the most successful in the company's history.

Mr Sears said Mr Harry Stonecipher, McDonnell Douglas's chief executive, had told him to apply his defence industry skills to the civil aircraft business.

"Harry said that if we weren't in the commercial airline business, we would be working our tails off to get into it," Mr Sears said.

UBS rules out merger proposal by CS Holding

By Ian Rodger in Zurich

The idea of a merger between Switzerland's two largest financial institutions was briskly rejected last night by the directors of Union Bank of Switzerland.

UBS said a merger with CS Holding, parent of the bank Credit Suisse, "would place a great strain on the [merged] group's financial and management resources, which would in turn hinder its development".

The UBS response almost certainly means the proposal is dead. Without the UBS board's blessing CS would have immense difficulty winning the support of the holders of two-thirds of UBS's capital – the proportion necessary for a merger vote.

The merger – proposed by CS last week – would have created the world's second-largest bank after the recently merged Bank of Tokyo-Mitsubishi, with assets of nearly SFr800bn ($661bn) and significant shares in investment banking markets in the US and Europe.

The UBS statement suggested, in blunt terms rarely seen in Switzerland's financial community, that Mr Rainer Gut, chairman of CS Holding, the group built around the Credit Suisse bank, had attempted to blackmail UBS when making his proposal last week.

News of the merger approach was broken in a Zurich newspaper on Tuesday and subsequently confirmed by CS, setting off a wave of anxiety over redundancies in Switzerland and the UK, where both groups have substantial operations.

The UBS board said it was "taken aback" by CS's approach, especially because Mr Gut allegedly requested a decision in principle from UBS before UBS's annual shareholders' meeting next Tuesday. A tense proxy battle is expected at the meeting over the board's nomination of Mr Robert Studer, the former chief executive, to be its next chairman. CS, as one of Switzerland's largest portfolio managers, holds the proxies for a substantial number of UBS shares.

The UBS board said Mr Gut's request for an early decision on the merger proposal indicated that its response "could influence the meeting's outcome".

The board also flatly rejected CS's claim that a merger would be between two companies of equal stature. "In terms of share performance, earnings per share, earnings per employee and shareholders' equity [UBS] is clearly ahead of CS Holding," it said.

Mr Gut had argued that the globalisation of financial services and the need for rationalisation within the Swiss banking industry were good reasons for considering a merger. The UBS board retorted that UBS was in "a very healthy financial position" and its organisation was capable of adapting rapidly and flexibly to changes in financial markets.

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Background, Page 22

Chinese premier Li Peng (left), on a visit to France, is welcomed to the Elysée Palace by President Jacques Chirac. The two countries signed an agreement for more talks on co-operation over an aircraft project, after a diplomatic incident over human rights. Report, Page 20 Reuter

Scientists identify gene linked to ageing process

By Clive Cookson in London

The first human gene known directly to affect ageing has been identified by US scientists.

The gene itself is associated with a rare hereditary disease called Werner's Syndrome, in which people age very rapidly.

But the discovery has immediate implications for research into ageing in general, and it could lead eventually to drugs that delay the symptoms of old age, from brittle bones and wrinkly skin to heart disease and cancer.

A combined team from Darwin Molecular, a Seattle biotechnology company, and the Seattle Veterans Administration Medical Centre describe the gene today in the journal Science.

Advance news of the discovery has delighted ageing specialists. "This is really exciting for us because it is the first time that any gene ... associated with ageing has been identified," said Dr David Finkelstein, a molecular biologist at the US National Institute on Ageing.

Darwin, one of the leading "genomics" companies in the US, has applied for a patent on the discovery. "Our work has opened a new window into the biology of age-related diseases," said Dr David Galas, the company's chief scientist. "We are now working to identify the best initial medical targets relating to the Werner's gene."

Werner's patients begin to show signs of premature ageing, such as greying hair and wrinkling skin, in their 20s, and in their 30s and 40s they suffer diseases that are characteristic of old age, such as cancer, heart problems, diabetes, eye cataracts and many others. Most are dead by 50.

The gene produces an enzyme called a helicase. This unwinds the twin strands of the DNA double helix – a necessary step in repairing or replicating genetic material in cells.

The research therefore confirms what many scientists had suspected: that failures in DNA processing play a central role in ageing. The next stage will be an intensive investigation of the

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German and French bourses shelve plan to share network

By Andrew Jack in Paris, Andrew Fisher in Frankfurt and Richard Lapper in London

Plans for close future co-operation between the German and French equities and derivatives exchanges were scaled back yesterday when the Frankfurt and Paris markets dropped plans for a common electronic "platform" for trading.

The exchanges will continue to examine ways of developing a "joint market for equities and equity-linked products".

But more ambitious plans, announced last year, for a unified computer system, based on French technology in the cash market and German technology in the futures market, will not go ahead.

The four French and German exchanges – the Deutsche Börse, operator of the Frankfurt stock exchange and Deutsche Terminbörse (DTB) futures markets, Matif, the French futures market, Monep, the French options market, and the Société des Bourses Françaises, ruled out the ambitious plan in a joint statement.

They said the adoption of the SBF's Nouveau Sisteme de Cotisacion electronic system for the German cash market and the DTB's electronic system for the futures market would require "too many and too costly modifications ... in both countries".

They had reached the conclusion that the most "efficient solution" for the German cash market would be one based on existing systems.

But the exchanges said they remain committed to harmonising access to trading and clearing systems and combining their technical infrastructures to cut costs as soon as full electronic trading made this possible.

An earlier 1993 agreement between the Matif and the DTB – a precursor to last October's wider and more ambitious link-up – would be re-evaluated in view of the planned single currency among European Union members in 1999.

This agreement had entailed arrangements allowing members of each exchange access to products listed on both markets.

Mr Jean-François Théodore, chairman of the French bourse, said: "We would rather have a good political accord than a difficult technical solution."

He described the joint platform as "intellectually seductive but practically a bad idea".

The exchanges also announced the creation of a permanent steering committee which will aim to harmonise market models and financial and legal procedures, and eventually offer facilities for securities firms and banks to obtain "double membership" and "double listings".

In addition, a technical taskforce will study the design of a common screen access for members.

Another committee will look at ways of meeting the challenge of the single currency, the euro, for derivative instruments.

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Leipzig fair aims to trade on tradition

A new DM1.3bn complex will try to bridge east-west divide, writes Frederick Studemann

The east German city of Leipzig will today reassert its claim to be Europe's principal east-west trading post when President Roman Herzog of Germany and Prime Minister Vaclav Klaus of the Czech Republic open a new DM1.34bn ($902m) trade fair complex.

The 100 hectare project – on the site of an old airport north of the city centre – is the largest single construction project to be completed in east Germany. Local politicians claim it is a symbol of the revitalisation of the region's post-communist economy.

The steel and glass complex was described yesterday by Mr Günter Rexrodt, German economics minister, as the "mother of all fairgrounds". It will be owned and run by Leipziger Messe, a company jointly owned by the state of Saxony and the city of Leipzig.

Until the collapse of communism, Leipzig was the most important forum for east-west trade fairs. But this position was threatened after German unification and the collapse of state-planned markets in eastern Europe. The old trade fair site was deemed substandard and the number of visitors and exhibitors plummeted.

The state and the city each invested DM500m in the construction of the new complex of exhibition halls, a conference centre and an arena for sporting and entertainment events. The rest of the money came from federal subsidies and from selling the site of the old trade fair and other properties in the city.

Designed as a showcase project for German unification, more than 50 per cent of all contracts went to east German companies. Leipziger Messe says it will stress its centuries-old tradition as a trade fair location and focus on being a bridge between east and west. "All around us in the east there are growth markets. We expect to benefit from this and to become one of the principal trade fair sites in the region," it said yesterday.

The company said it hoped the blend of modern facilities and traditional trading would give it an edge in competing with other established trade fair centres, such as Hannover and Frankfurt. It has already lured a multimedia fair away from the western city of Heidelberg. According to a recent survey by Ifo, the economics institute, the Leipzig area already derives some DM400m from trade fairs, including income from accommodation, car hire and catering.

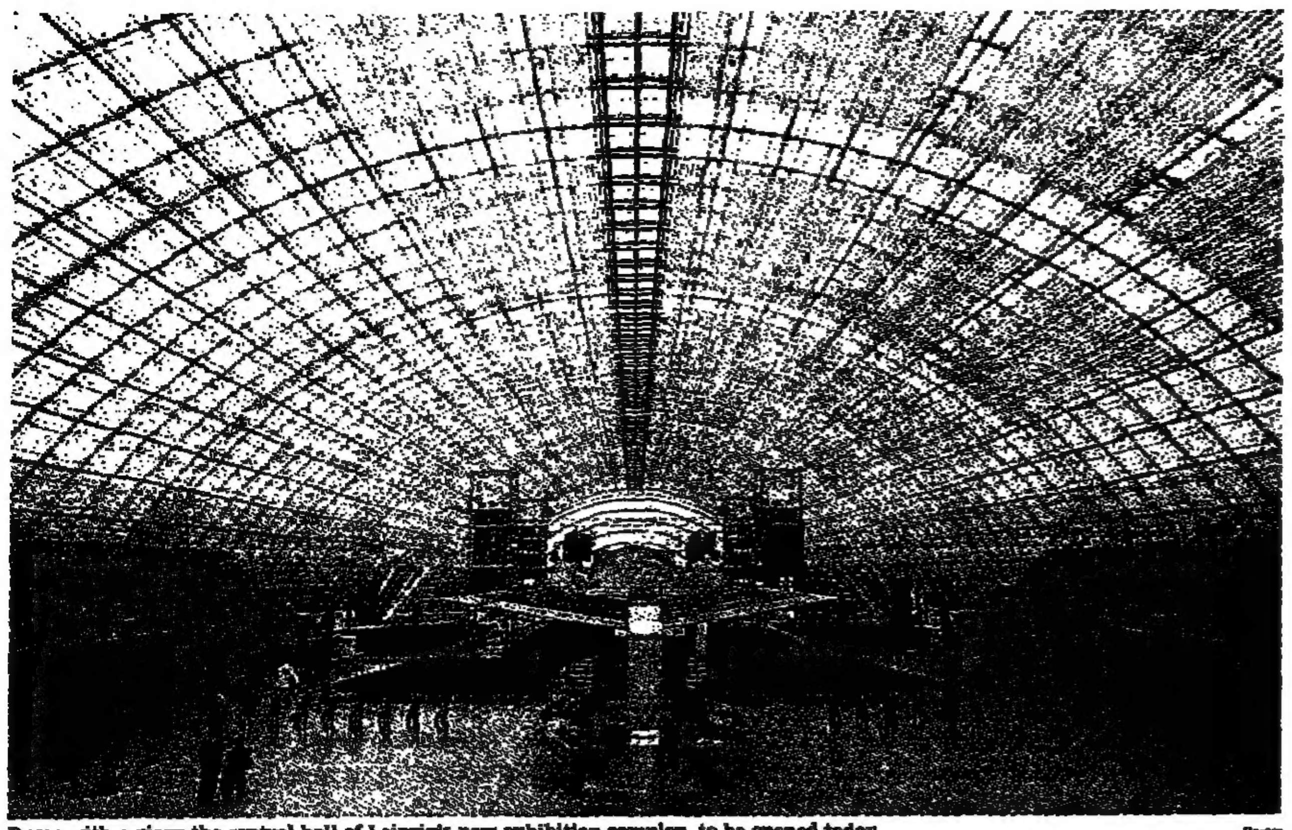
The city's has established a book fair in the spring. Aimed principally at the German and east European publishing industries, it is emerging as a junior partner to the bigger Frankfurt book fair, held in the autumn.

Leipzig is also casting its eyes farther afield. This weekend Leipziger Messe expects to conclude a deal with Canton in China to set up a trade centre housing about 200 Chinese companies with an estimated 1,000 employees in a building adjoining the principal trade fair site. "The deal gives Leipzig the potential to become as important to Chinese business as Düsseldorf is now to Japanese business," a spokesman said.

Leipzig also intends to concentrate on new and niche business areas currently not served by a trade fair. These include biosciences, mobility, heritage maintenance, gifts and presents, and specialised aspects of interior design.

Leipziger Messe says its expects to stage 25-30 fairs a year in the new complex, starting with the car fair Auto Mobil International, which opens tomorrow.

Among Leipzig's claims to fame is the origin of the Teddy bear. On the last day of its 1903 international trade fair a US businessman bought 3,000 toy bears, which were used as decorations at the wedding feast of Theodore Roosevelt's daughter. The US president later gave them away to children, and they became known as Teddy bears in his honour.



Room with a view: the central hall of Leipzig's new exhibition complex, to be opened today Reuter

IMF may pay Ukraine $900m despite failures

By Matthew Kaminski in Kiev

The International Monetary Fund will try within weeks to lend $900m to Ukraine to limit the economic damage from this month's unexpected decision to withhold support, western officials said yesterday.

The loan would bridge a gap caused by this week's cancellation of Ukraine's $1.5bn stand-by credits programme, after the Kiev government exceeded its public spending targets in the first quarter and printed too much money.

Ukraine needs outside assistance to cover the budget deficit and keep inflation down – both critical to stabilising the region's weakest economies.

This month the pressure on the budget grows stronger. Farmers are due to start planting and need promised government credits to buy seeds and machinery. Failure to fund the crop would depress the harvest again this year after a disappointing harvest last year, hitting incomes and revenues from an important sector of the economy.

The IMF overlooked missed economic targets when it approved an October tranche of the stand-by funds after lobbying from the Kiev government. But it froze support in January after Ukraine overspent the budget and failed to pay for all its energy imports. About half the stand-by funds had been disbursed by that time.

The programme was cancelled this week after Kiev exceeded its spending limit by about 11,000bn karbovanets ($57m) in the first quarter – during which it went without any outside financial support. The overspend was blamed on poor financial management.

Also in the first quarter, Ukraine printed 112,000bn karbovanets in new money, 5,000bn over the IMF limit for the entire year, threatening to push up inflation, which was hauled back to 180 per cent last year after peaking above 10,000 in 1993. The IMF estimated Ukraine's external financing needs at least $2bn for 1996. An IMF mission is scheduled to leave Kiev today and will report to the IMF board.

An IMF official said the spending overshoot was due to poor financial management rather than acts of government policy. Western economists said the IMF would be forced to bend budget and money expansion targets to approve the new loan. A possible compromise involves loosening the April spending limit, which cannot be met without IMF funds, and tightening it towards the end of the year. In negotiations with the IMF this week, Ukraine promised to improve financial control.

Kiev's external financing needs are estimated to be at least $2bn for 1996

The government said three ministries – economics, finance and statistics – and the central bank would have sole discretion over the budget, which they would monitor daily. Spending ministries such as agriculture or industry would not be allowed to draw funds directly from the budget.

The government also agreed to revise its estimates of revenues down 15 per cent to make the budget more realistic, an official said.

After last autumn's experience of giving Kiev the benefit of the doubt, diplomats said some IMF board members were unwilling to do so again. But Western countries are believed to be pressing the IMF to keep the strategically important country on board.

Ukraine last month adopted a tight budget that forecast a 6.2 per cent fiscal deficit and won IMF approval. It is now keeping up with payments for its energy imports, a problem in past years.

Baseline inflation is about 3 per cent a month – but bankers expect an increase in May or June.

Kiev is also aiming to sell government securities to help finance its budget deficit. The budget is based on the sale of 150,000bn karbovanets in bonds. But through the first three months only 10,000bn karbovanets found takers on the infant market. Lack of investor confidence and poor management are blamed.

Finmeccanica to acquire last big Efim subsidiary

By Robert Graham in Rome

After three years of haggling, agreement has been reached on the disposal of the last big asset in the hands of the liquidators of Efim, the Italian state industrial holding placed in liquidation in 1992.

Under the terms of a complex deal Breda, the rolling stock and mass-transit systems manufacturer owned by Efim, will be taken over by Finmeccanica, the industrial empire 62 per cent owned by Iri, the state holding company.

Finmeccanica has already played an important part in purchasing industrial assets of Efim since liquidation, having already taken on all the latter's considerable defence interests.

The latest move, involving the transfer from one state-controlled holding to another, underlines the reluctance of the Italian authorities to contemplate drastic market solutions for industrial groups operating in sensitive sectors with large workforces.

Breda employs 3,300 people and has an order book worth L2,500bn ($1.6bn), mainly consisting of railway carriages, buses and trams. Four of its six plants are in southern Italy.

Finmeccanica was negotiating to buy Breda before the collapse of Efim, to take advantage of synergies within its own group, especially Ansaldo. Ansaldo's transport division produces trains and metros, along with electrification and signalling systems.

Breda and Ansaldo are two of Italy's oldest industrial names, both dating back to the 19th century. At present Breda accounts for 55 per cent of the Italian urban bus market and 40 per cent of domestic metro orders. Of its L600bn turnover, 19 per cent is exported.

The combined group will have orders worth almost L7,000bn and will be the seventh largest transportation group in the world. It will be able to compete from project-planning through virtually every stage of production of modern mass transit systems.

Mr Alberto Predieri, Efim liquidator, initially refused to accept that Finmeccanica retained a right of first refusal on Breda from its previous negotiations. Arbitration eventually decided in favour of Finmeccanica but Mr Predieri went ahead and called two auctions, which passed without competitive bids.

For almost 18 months the two sides have been arguing over price. Mediobanca, the Milan merchant bank, was called in to mediate and it is understood it concluded that Breda's debts gave a negative net worth of up to L200bn. Efim has agreed to cover these debts in the form of a capital increase prior to hand-over. It is not clear where Efim's funds will come from. But the holding is believed to still have access to some residual credits.

Overall, the collapse of Efim has cost the Treasury at least L16,000bn – the most expensive industrial liquidation in Italian history.

Helicopter crash fuels Gibraltar drugs row

By Tom Burns in Madrid

Tension between Britain and Spain over Gibraltar escalated yesterday after a Spanish police helicopter crashed, killing one of its three-man crew, in an incident involving alleged Gibraltar-based drug runners.

The foreign affairs ministry in Madrid yesterday summoned the British ambassador to deliver a strong protest over what it said was insufficient action by London to curtail smuggling from the 2¼ sq mile British crown colony, to which Spain lays claim.

Spanish police meanwhile stepped up controls at the border with Gibraltar, ensuring long traffic queues.

The renewed friction threatens to cast a cloud over elections in Gibraltar which are due in the next two months. Increased Spanish pressure on the colony is likely to strengthen the hand of Mr Jose Bossano, its chief minister, who has opposed a negotiated solution between Madrid and London over Spain's claims to the colony. Mr Bossano has now completed his second successive four-year term.

Spanish officials said two Gibraltar-registered speedboats had been captured and three Gibraltarians, a Briton, a Spaniard and a Moroccan had been arrested. They said a flare had been fired from one speedboat at the police helicopter, which may have crashed after a crew member of the second fast launch threw an oar at its blades.

The incident, which took place off Cape Trafalgar, 40 miles from Gibraltar, is typical of the frequent running battles with smugglers crossing the Strait of Gibraltar from Morocco to land drugs on Spanish beaches. More than six traffickers are believed to have been killed in recent years in such clashes, but yesterday's incident was the first to cause the death of a member of Spain's security forces.

The foreign ministry said Gibraltar's police were co-operating with Spanish customs officials, but that the UK had failed to act against the "hard core" within the drugs trade which Spain claims is established in the colony.

As an offshore financial centre, Gibraltar has opaque banking and company regulations. However, Spain has failed to provide firm evidence to back up its claims that the colony has become a leading centre for drug money laundering.

Gibraltar police seized about 50 fast launches last July in an attempt to stamp out drug trafficking. The move was fiercely contested by boat owners.

Spanish officials say that, despite the crackdown, 10.5 tons of hashish have been taken from Gibraltar-registered speedboats since July. It is believed that many of these high-powered vessels have been moved to Moroccan and Spanish ports.

EUROPEAN NEWS DIGEST

Strong franc allows rate cut

The Bank of France yesterday took advantage of the strength of the franc to slice another 0.1 of a percentage point off its base intervention rate, bringing it down to 3.70 per cent in the 11th rate reduction since November.

However, the French currency strengthened further in the wake of the rate cut, to close in Paris at FFr3.3960 to the D-Mark, compared with FFr3.3990 a day earlier. Yesterday's meeting of the central bank's nine-person Monetary Policy Council was, unusually, attended by Mr Jean Arthuis, finance minister. The MPC is independent of the government, although the finance minister may attend its meetings as an observer.

The government recently cut its official estimate of growth this year from 2.8 per cent to 1.3 per cent, and has pinned hopes of an upswing later this year largely on the effect of lower interest rates feeding through to industrialists and consumers. *David Buchan, Paris*

Andreotti in dock with Mafia

Mr Giulio Andreotti, former Italian prime minister, yesterday went on trial with Mafia mobsters on charges of ordering the murder of a journalist.

Mr Andreotti, together with former foreign trade minister Mr Claudio Vitalone and convicted Mafia bosses Gaetano Badalamenti and Pippo Calo are charged with ordering the killing of Mr Mino Pecorelli, a journalist, in 1979. Michelangelo La Barbera, a Mafia hitman, is charged with carrying out the shooting.

Mr Andreotti has dismissed the charges against him as part of a Mafia plot to punish him for crackdowns on crime by governments he headed.

Mr Pecorelli was shot outside the offices of his magazine OP, a shadowy publication that thrived on gossip fed to it by a secret service general who was an enemy of Mr Andreotti.

Mr Andreotti was serving his fourth of seven terms as prime minister when Moro was kidnapped. Mr Andreotti refused to deal with the guerrillas for the statesman's release and Moro was killed. *Reuter, Perugia*

German builders in wage accord

German building workers and employers yesterday agreed a 1.85 per cent wage rise deal and averted the threat of the first strike in the construction sector since the second world war. Economists said the deal, just above inflation and below the recent 2 per cent pay deal in the chemical sector, was another sign of pragmatism among German unions, which last year pushed through wage awards almost double the rate of inflation.

The deal, hammered out in 10 hours of negotiations, sets a minimum hourly wage of DM18.60 ($12.40) for EU workers in west Germany and DM17.11 for east Germany. The new rates are effective from April 1 for west German workers. But IG Bau, which represents 1.5m building workers, agreed to an employers' demand to delay the deal's launch in east Germany until September. *Reuter, Frankfurt*

Télécom strike shrugged off

France Télécom yesterday shrugged off a strike by workers protesting against plans to prepare the national telecoms operator for partial privatisation. Only a few thousand employees took part in a protest march in Paris, and the company said only 45 per cent failed to report for work – compared with 75 per cent who stayed away during a similar strike three years ago and 65 per cent last October.

Union officials insisted that more than half the workers observed the strike; it had predicted 55-60 per cent of the workforce would participate. France Télécom said the telephone service was undisturbed by the stoppage as it was virtually fully automated. *Paris, Reuter*

Pressure on Austrian bank laws

Pressure on Austria over laws allowing banks to offer anonymous savings accounts intensified yesterday when a US official said Washington would seek their abolition at a meeting of the UN drugs commission which opens next week in Vienna.

Austria is already fighting a European Commission demand that the practice be ended, and says such accounts are unsuitable for money laundering as they do not extend to deposits of more than Sch200,000 ($19,000).

A resolution to be moved by the US is not expected to name Austria, but is bound to increase pressure on Vienna. Austria is the only EU country to allow anonymous bank accounts, which the EU and US anti-narcotics officials claim can be used to launder illegal funds.

The EU Commission estimates that Austria, a country of 8m people, has about 26m savings accounts containing Sch1,400bn. Many Austrians possess four or five anonymous savings books. *Reuter, Vienna*

Dutch pirating ring smashed

Dutch investigators said yesterday they had smashed the nation's largest computer software pirating ring, believed to have produced about Fl 2bn ($1.2bn) worth of illegal programs. Raids on Wednesday netted 14,000 pirated CD-Rom discs and eight suspects were arrested. *AP, Amsterdam*

Communist minister on trial

A former East German deputy finance minister went on trial yesterday charged with illegally shifting billions of marks from state coffers to a shadowy government agency in the communist state's final days.

Prosecutors accused Ms Herta Koenig, 66, a member of the reform communist government which took power after the November 1989 fall of the Berlin Wall, of transferring 12.3bn East German marks to the commercial co-ordination (KoKo) department.

The East German marks were converted into D-Marks after economic unification, mostly at a rate of two for one. The sum Ms Koenig is alleged to have diverted would have been equivalent to about $4bn at current rates. *Reuter, Berlin*

EU finance ministers limber up for battle of wills

Gillian Tett, David Buchan and Robert Graham predict there will be some tough talking at this weekend's 'informal' meeting in Verona

This weekend's meeting of 15 European Union finance ministers and central bankers in Verona is billed as informal. But the atmosphere is likely to be anything but relaxed.

As the participants fly to the Italian city today, the meeting is shaping up as a delicate battle of political wills.

The Italians – hosting the meeting as holders of the EU presidency – say the gathering is intended to cover a number of issues. One is the thorny matter of the relationship between those inside and outside any future single currency. Another is the tangled question of the euro's legal status. A third – and recent addition – will be calls for greater harmonisation of EU tax systems.

A fourth topic which is likely to emerge is the state of EU economies.

But this improbably long list of debating concerns may turn out to be sleight of hand. For it has been the question of future relations between the "ins" and "outs" of Emu – and, above all, any exchange rate mechanism that might link the two groups – that has dominated the political manoeuvring in the run up to Verona.

The focus on this issue partly stems from a request made, ironically, by UK prime minister John Major. Following the Madrid summit at the end of last year, the UK called for a study of future relations of "ins" and "outs", with a preliminary discussion intended for Verona.

The UK insists the issue will only be at a debating stage in Verona, and argues the topic should cover far more than simply any exchange rate mechanism. But France is pinning stronger plans on the meeting.

French officials believe the Verona gathering will reach "a quasi-consensus" on the need for a new exchange rate system to limit "serious fluctuations" between "in" and "out" currencies. It is also hoping there will be enough support for this to allow technical work on such a system to start immediately after the meeting.

Whether France will achieve this remains unclear. The UK has insisted it will resist any attempt to force it back into an ERM, although it does not oppose the creation of an ERM-type system by other countries.

But French officials yesterday seemed to be at pains to play down suggestions they wanted a compulsory ERM.

They stressed there was no question of "locking parities" between the "ins" and the "outs", or of compelling anyone to join. Officials also noted that they recognised the "very difficult" position of the UK, where anything related to monetary union is "taboo". The French were also reticent about details of how the bands in a future ERM might be set or operated.

These comments may help calm UK fears – and possibly smooth the path towards the type of political consensus France is pushing for.

Mr Jean Arthuis, French finance minister, is banking on the support he gained last month for his exchange rate, or "monetary stability", plan from Mr Theo Waigel, his German counterpart. The support was in return for earlier backing for Mr Waigel's "budgetary stability" concept imposing fiscal disciplines on those inside Emu.

Italy and Spain are also likely to support the exchange rate plan.

But French hopes of consensus at Verona may be optimistic, particularly given that the priorities of the Germans may be subtly different from France's.

Germany is likely to use the meeting to reiterate Mr Waigel's demands for a stability pact in any future single currency area, complete with sanctions against erring members.

It is also likely to advance the proposals unveiled by Mr Hans Tietmeyer, Bundesbank president, this week which would give any president of the future European central bank "supranational powers" to guide currency relations and advise countries on domestic policies.

Bonn is also likely to reiterate its opposition to any system that would require the European central bank to intervene heavily in support of currencies in a future ERM.

This intervention issue could generate lively debate, not least because the Italians are apt to favour greater powers to intervene.

The other topics raised by the Italians could also absorb debate. Mr Mario Monti, EU internal market commissioner, for example, is hoping to spend some time tomorrow afternoon discussing his controversial call to harmonise EU tax systems.

And the discussion on Europe's economies could be important, given widespread concern about weakness in Germany and the fact that Mr Lamberto Dini, Italian prime minister, will also be using the meeting for domestic political purposes a week before Italian elections.

Given this, concrete decisions at Verona may be limited.

For even if the packed schedule allows countries to air their differences, it gives them precious little time to find any real consensus.

Additional reporting by Andrew Hill.

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Slovenian pay rows given a Papal twist

By Gavin Gray in Zagreb

Unions representing police in Slovenia are threatening to release a statement today that they cannot guarantee the safety of the Pope when he visits the country next month unless they reach agreement with the government on bonus payments for the police units due to guard him.

The threat is the latest twist in an outbreak of public sector strikes which are putting severe pressure on Slovenia's coalition government to relax its tight budget and anti-inflation policies.

With a general election due before the end of the year, the government's will to hold out against strikers appears to be weakening.

On Wednesday it gave into railway workers' demands for higher payments for Saturday working after just six hours of a national rail strike. Today it is expected to reach an agreement with Fides, the union representing doctors and dentists, who have been on strike for three weeks.

The coalition currently comprises the Liberals and Christian Democrats, which have 45 deputies in the 90-seat national assembly. It lost its overall majority at the end of January when the United List of Social Democrats, the successor to the Communist party, went into opposition.

Mr Dusan Kumer, general secretary of the United List, maintains that the present outbreak of strikes is caused by the absence of his party's balancing position in the coalition.

In late March, the United List launched a motion of no-confidence against Dr Bozidar Voljc, the health minister, alleging the strike of doctors and dentists had been mishandled and could have been avoided. "We support the doctors' demands, but if the government gives in now, it creates a precedent for other groups paid from the budget, and that could destroy the entire wages system," said Mr Kumer.

Slovenia, the first republic to secede from Yugoslavia, has the highest living standards in eastern Europe and achieved growth of 4.8 per cent in 1995 while keeping the budget deficit below 1 per cent of GDP. But high wages and wage growth has been a problem in the five years since independence and it was only after the government, unions and the Chamber of Commerce agreed on an incomes policy – introduced in 1994 – that inflation started falling rapidly.

The country's high average wages are one reason that it has attracted so little foreign direct investment. Mr Igor Strmsnik, director of the Ljubljana Institute for Macroeconomic Analysis, says inflation in 1996 is expected to be about 8 per cent, above the 6 per cent forecast.

"There will not be a higher deficit than expected if a deal is struck just with the doctors. But there is a threat if there is a deal for all other public workers," said Mr Strmsnik.

Critics say that this is exactly the risk facing the government. Its negotiations with the police, doctors and dentists are being closely watched by unions representing teachers and university lecturers, who are expected to be the next to strike if the government shows it is losing resolve.

Milosevic warned of 'inflationary suicide'

By Laura Silber in Belgrade

A feud between the governor of National Bank of Yugoslavia, Mr Dragoslav Avramovic, and his government yesterday spilled out into the open.

Mr Avramovic has been at odds with the Yugoslav federal government – which takes instructions from President Slobodan Milosevic of Serbia – over monetary policy, membership of the International Monetary Fund and privatisation.

The board of governors of the central bank was meeting last night to decide whether to support Mr Avramovic's demands for a free hand in negotiations with the IMF.

The 78-year-old governor warned that Belgrade's refusal to reach agreement with the IMF because of an argument over whether Yugoslavia – now composed of Serbia and Montenegro – was named as the sole successor to the former communist federation of six republics or one of five successor states could prove "disastrous".

"Fresh capital is lacking for the renewal of production, and the further delay of an agreement with the IMF on the injection of capital could mean the beginning of a new hyperinflation and a new inflationary suicide," he said in an open letter published yesterday in the Belgrade independent daily newspaper, Nasa Borba.

A former employee of the World Bank, Mr Avramovic is under government pressure to abandon tight monetary policy to finance industrial production and spring sowing in the big agricultural sector. In a letter to Yugoslav leaders, he said the country's "currency reserves have dropped to $310m and continue to fall at a rate of $1m a day".

Under UN sanctions for 41 months, and hit by the cost of the wars in neighbouring Bosnia and Croatia, production in Yugoslavia has fallen to the level of 1968. Most factories have closed. Metal workers have threatened to strike and pensions are delayed for several months.

■ Bosnia-Hercegovina has been admitted as a member of the European Bank for Reconstruction and Development, as part of its drive to join the main international financial institutions, writes Kevin Done in London.

It was accepted in the International Monetary Fund in December and its membership of the World Bank was announced two weeks ago.

The EBRD was established in 1991 to assist in the transition from centrally planned to open market economies following the collapse of communism in central and east Europe.

Bosnia becomes the 60th shareholder in the bank and the 26th country in which the EBRD operates.

As part of the Bosnian reconstruction effort, the EBRD is taking a leading role in preparing projects in telecommunications, power and transport and in establishing a venture capital fund to support small and medium-sized enterprises. It also intends to help strengthen the banking system.

Meanwhile, the EBRD has been applying pressure on a small number of countries in east Europe to speed up progress towards multi-party democracy and pluralism.

The most serious concerns are understood to be felt about a small number of countries in Central Asia.

The bank has refused to specify in which states it had taken action, but said that in a few cases "progress was felt to be inadequate".

Cloud of battle: Fighting going on near a Chechen village despite Moscow's declaration of a unilateral ceasefire Reuter

CHECHEN VILLAGES PAY A HIGH PRICE FOR FAILURE OF YELTSIN PEACE PLAN

Since Russia's President Boris Yeltsin announced a unilateral ceasefire 12 days ago as part of his peace plan for Chechnya, fighting in the mountains in the south of the breakaway republic appears to have worsened.

Few in Chechnya admit to being disappointed; most say they had not taken the ceasefire announcement seriously.

But the current military offensive – including puzzling air raids on pro-Moscow Chechen villages – calls into question whether Mr Yeltsin can really come up with a workable plan to solve the problem that threatens to sink him in the presidential election in June.

The Chechen leadership does not talk as if it is eager for compromise. During an interview at his mountain hideout, Mr Dzhokhar Dudayev, the rebel Chechen leader, who in 1991 declared the region's independence from Moscow, hardly sounded conciliatory.

"If they want talks we'll have talks ... if they want to settle this with a duel, let's have a duel," he said. "If they want to settle this with fists, well then, with fists. With Russia, you always need to fight."

But Mr Tim Guldimann, a Swiss diplomat who heads a delegation from the Organisation for Security and Co-operation in Europe (OSCE), which has been in Grozny trying to negotiate peace since last year, remains hopeful.

Mr Guldimann argues that the most important part of Mr Yeltsin's plan is not the promise of a ceasefire, which he calls "unrealistic", but the newly expressed willingness to hold talks with Mr Dudayev, who Moscow once insisted was anathema to the peace process.

Mr Yeltsin said he wanted mediators to initiate the talks and has named several possible candidates, including Mr Nursultan Nazarbayev, president of the former Soviet republic of Kazakhstan.

For his part, Mr Dudayev says he does not want mediators because none of the candidates has the muscle to force Russia to keep its word.

Instead, Mr Dudayev has called on Mr Yeltsin to sack those members of his entourage who are supporting the latest military offensive.

Mr Boris Nemtsov, the liberal governor of Nizhny Novgorod and one of the most forceful advocates of a negotiated settlement, argued yesterday that time was running short for Mr Yeltsin and that there was no other way out.

"There is a need to enter into talks with Dzhokhar Dudayev without delay," said Mr Nemtsov, who like several other regional governors has made his support for Mr Yeltsin's re-election campaign dependent on an end to fighting in Chechnya.

Meanwhile, Russian commanders in Chechnya still seem to think there are military gains to be made driving the separatists out of their mountain strongholds. Russian troops have indeed made some progress in the past weeks.

There are reports that they have seized some key ground in the high mountain territory near the village of Vedeno, and have pushed the guerrillas out of Orekhovo, a village that controls access to the stronghold of Bamut, which has resisted fierce attack for months.

The rebel commanders boast that the Russian assaults have been extremely costly. Even the official Russian statistics, the highest in many months, seem to bear this out. But so far, the Russian command seems to be able to stomach the losses in its ranks, and much else besides.

Before Mr Yeltsin's short-lived ceasefire, the OSCE allowed an internal report to be leaked to the press at its headquarters in Vienna, warning that "in recent weeks intensified warfare has caused a deterioration of the respect of human rights".

The OSCE report, which refers to "wanton destruction and systematic looting" by Russian troops, also acknowledged the Russian practice of capturing Chechen prisoners to sell them back to their families for cash. Thousands of Chechen civilians have disappeared into Russia's notorious "filtration camps". The Chechens have gone on a hostage-taking spree of their own as a way of bargaining for the release of relatives.

Since mid-March, several Chechen villages that refused to sign co-operation agreements with Russian troops have been largely laid to waste, sometimes, as in the case of Sernevodsk and Samashki, with much of the civilian population still trapped inside. Recently, the Russians added a new twist, bombing villages such as Shalazhi, a large part of which was levelled last week, despite the fact its inhabitants had formally declared themselves to be pro-Moscow.

Peter Graff

Additional reporting by John Thornhill in Moscow

Poland debates radical pension reform

By Christopher Bobinski in Warsaw

Pension reform moves to the centre of Poland's political arena today as parliament debates government proposals to ease the cost of future payments for an ageing population and open the way to private retirement schemes.

Supporters of a more radical switch to a fund-based system, which is favoured by the Finance Ministry, are looking to the debate to produce a consensus in favour of compulsory private schemes for new entrants to the job market.

The timing of the debate indicates that the government wants to bring the reforms in this year. The measures would reduce support for the ruling leftwing coalition which appears to want to bring them in earlier rather than later to allow a cooling off period among voters before parliamentary elections in mid-1997.

Critics argue that the proposals essentially retain the costly pay-as-you-go system. Private options would be taken up by a minority of the population, they say.

Opponents are placing their hopes in recent changes in the Polish cabinet. The pension programme gained cabinet approval under the previous labour minister, Mr Leszek Miller.

He has moved on to head the cabinet office and his successor, Mr Andrzej Baczkowski, is ready to discuss modifications.

Supporters of the original programme argue that a full switch to a fund-based system would cost around 5 per cent of GDP for 30 years. They have thus opted for a mixed system where the main burden of pensions would be carried by the state while an extension of the retirement age for women, and changes in the way pensions are calculated, would produce savings.

The more radical plan would leave those who choose the fund-based option with a low traditional pension equal to a fifth of the average national wage, while the bulk of their retirement income would be financed by funds accumulated over their working life.

These would be privately managed and would initially invest around 80 per cent of their contribution revenue in state bonds. This would help plug the budgetary gap which would appear as employees switched from the pay-as-you-go system to private funds. The balance would be invested at home and abroad.

NEWS: INTERNATIONAL

Israeli gunships blast Beirut

By Mark Dennis in Jerusalem

Israel yesterday launched air strikes against Beirut and other parts of Lebanon using helicopters and jet fighters in retaliation against rocket attacks by Iranian-backed Hizbollah on its northern settlements.

In Israel's first attack on Beirut since its 1982 invasion, helicopters fired rockets into the southern suburbs, demolishing a building in the heart of an area controlled by Hizbollah, whose guerrillas are fighting to dislodge Israel from its self-declared security zone in southern Lebanon.

At least four Lebanese civilians were killed and nine wounded.

The Israeli action also targeted Hizbollah strongholds in the Bekaa Valley in eastern Lebanon and areas just north of the security zone. A Lebanese soldier was killed and two wounded when their checkpoint was hit near the southern port city of Tyre.

Gen Amiram Levine, Israel's northern front commander, said he expected the strikes to last several days. They are the strongest action yet in the latest round of tit-for-tat violence, which follows the killing of an Israeli soldier on Wednesday, the seventh since the beginning of March on the last remaining Arab-Israel war front. The raids put further strain on Israel's relations with Syria, which Israel says could rein in Hizbollah if it chose to. Israeli-Syrian peace negotiations have been stalled since December.

The US urged all sides to exercise restraint.

Mr Shimon Peres, Israel's prime minister, is trying to project a hawkish, security-conscious image in the run-up to national elections on May 29. The recent rash of suicide bombings by Palestinian Islamic fundamentalists has severely cut what was once a commanding lead by Mr Peres over his rival, Mr Benyamin Netanyahu, the opposition Likud leader.

Hizbollah launched several Katyusha rockets, small and inaccurate missiles, on northern Israel on Tuesday in retaliation for what it said was an Israel bomb blast that killed a Lebanese boy on Monday. The attack, which damaged 200 homes and wounded 36 Israelis, followed other rocket attacks over previous weeks that have made the border region extremely tense. Residents of the northern towns have been instructed to stay in bomb shelters for a third night in anticipation of further Hizbollah attacks.

Until yesterday's air strikes, Israel had largely followed a policy of restraint against Hizbollah, partly under US pressure.

Syria, the de facto power in Lebanon where it has 35,000 troops stationed, said the attacks would harm the Middle East peace process.

"What Israel did in Lebanon today has only one name. It is aggression," state-run radio said, giving Syria's initial reaction to the raids. "This Israeli aggression and terrorism will have its consequences which would harm the peace process," the radio said.

Mr Rafik Hariri, Lebanese prime minister, said the strikes would "only create more military operations and this vicious circle will continue. If they are looking for a solution, the solution is to withdraw from Lebanese territory."

The last big Israeli ground action, to clear Hizbollah from the border area, in July 1993, resulted in 130 Lebanese deaths.

Lebanon delays bond issue, Page 34

A man and his daughter flee Israeli air strikes on the Bir al-Abed suburb of Beirut AP

African states sign up for ban on nuclear arms

By Bernard Gray, Defence Correspondent and James Whittington in Cairo

Africa yesterday declared itself nuclear weapons-free zone when 43 states signed the Treaty of Pelindaba at a ceremony marred by Russian reservations about the document.

Named after the birthplace of the nuclear arsenal which South Africa later dismantled, the treaty bans the possession or deployment of nuclear weapons throughout the African continent and the islands around it.

Russia refused to sign two protocols, ratified by the US, Britain, China and France, the four other nuclear powers, pledging not to fire, test, transport or dump nuclear weapons or nuclear waste in Africa.

A Russian official said his government would not sign until it had more details about a clause added by the US and Britain which excluded territories in the Indian Ocean – including the island of Diego Garcia which the US rents from Britain as a military base for the storage and transit of nuclear arms.

The increasing opposition to nuclear weapons from non-nuclear regions will put additional pressure for disarmament on G7 leaders, who are meeting Russian President Boris Yeltsin to discuss nuclear security in Moscow in 10 days time.

South America, Antarctica, the South Pacific and now Africa are all bound by agreements not to possess or store nuclear weapons, or to dispose of nuclear waste on their territories. Although these treaties are regarded as partly symbolic, they play a role in building confidence that regional arms races will not develop, and help prevent the proliferation of nuclear weapons.

Such treaties highlight the division between the non-nuclear weapons states, who are publicly declaring themselves against the further spread of nuclear materials, and the nuclear weapons states, who are seen to be dragging their feet on disarmament.

The Moscow summit will discuss some aspects of nuclear security, in particular the safety of Russian plutonium and uranium stockpiles. However, the two biggest nuclear disarmament issues, the completion of a Comprehensive Test-Ban Treaty, and further US-Russian nuclear disarmament, will only be discussed at the margins of the meeting.

Progress on the CTBT is becoming urgent, with the last full session of the treaty due to start in Geneva next week and finish by the end of June. If a treaty is not concluded by then, it may not happen at all.

There are still substantial stumbling blocks. Russia has yet to agree to a complete ban on even the tiniest nuclear tests, while China insists that it should be allowed to conduct peaceful nuclear explosions. Any exemption for China would make a mockery of the entire treaty.

India is also seeking to tie agreement to a CTBT to firm progress on nuclear disarmament: a move which is being firmly opposed by the nuclear weapons' states. This reflects a view among many nations in the developing world that the treaty would enshrine nuclear knowledge in a few developed countries while not compelling them to disarm.

Also limited to the margins in Moscow will be discussion of any further nuclear arms reduction treaties between the US and Russia.

The Start II treaty, which limits each country to 3,500 strategic nuclear warheads each, has still not been ratified by the Russian Duma. Even so, US negotiators may want to begin work on a Start III accord, which could cut each side's arsenal to less than 1,500 warheads.

For the non-weapon's states in Cairo, however, it will take that kind of dramatic progress to persuade the sceptics that the holders of nuclear weapons are serious.

S African struggle turns to economic front

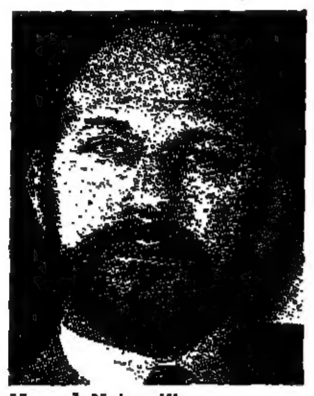
Unions and big business are squaring up for a fight over a strategy for growth, writes **Roger Matthews**

There was no broader smile during the swearing-in ceremony for new members of the South African government last week than that of Mr Chris Liebenberg, the outgoing minister of finance. His former colleagues pumped his hand, his wife looked relieved, and currency traders marked the rand down a further 10 cents against the dollar.

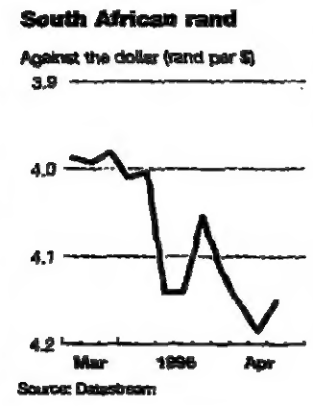
Perhaps, more important, the departing minister had also just caught sight of what the trade unions were demanding from him, should he have stayed on.

Mr Liebenberg had been the very model of a finance minister during a testing political transition. A life-long banker, his courteous conservatism deflected political criticism, and his penchant for cufflinks bearing the South African flag symbolised his commitment to the new political order.

But the run-up to his second and final budget last month had shown the apparent consensus over economic priorities was fraying, and would increasingly become a political battlefield on which he was ill-disposed to participate.



Manuel: Not smiling



South Africa's biggest employers, and the trade unions, are now squaring up to each other with undisguised ideological hostility. Caught between them is the new finance minister, Mr Trevor Manuel, the first member of the African National Congress to hold the portfolio.

This week is proving a tough baptism. The rand has dipped to successive all-time lows against the dollar, the minister is locked into an intensive round of meetings with members of his new department, and he is preparing for a tour of international financial capitals next week during which he will be expected to provide a reassuring view of South Africa's economic future.

That reassurance might have been more easily supplied if Mr Manuel had not become instantly sandwiched between two documents which offer diametrically opposed views on how to achieve the 6 per cent sustained annual growth which all sides agree is necessary to cut the 33 per cent unemployment rate, and ease some of South Africa's most glaring social inequalities.

The country's biggest 50 companies fired the opening salvo with policy proposals that included slashing the budget deficit, rapid privatisation, accelerated dismantling of exchange controls, cutting company taxes, streamlining government spending, and relaxing conditions of employment. Mr Tito Mboweni, the labour minister, responded briefly on behalf of the ANC. The plan, he said, was absurd, and completely ignored the country's social and political realities.

The three labour federations, headed by the Congress of South African Trade Unions (Cosatu), have been even more outspoken. Their document, "social equity and job creation", contradicts the corporate sector on almost every issue. It vigorously attacks the "stranglehold of big business", proposes a range of new and higher taxes on companies and the wealthy, does not want exchange controls abolished, urges a review of plans to reduce tariffs, and demands that employers should pledge not to sack any more workers.

The unions are specifically seeking a 5 per cent rise in the top marginal tax rate for those earning over R200,000 ($48,640) a year, a capital gains tax, and a tax on luxury goods. They want legislation to force pension and provident funds to use 5 per cent of their funds to purchase government development bonds, and a three-year 5 per cent levy on companies' pre-tax profits.

This additional revenue, estimated at over R40bn, plus a larger contribution from the exchequer, would fund a massive housing and public works programme. In addition, the unions have proposed a levy of 4 per cent on the payroll of companies with a annual turnover of over R500,000, to be used to pay for the training and development of the workforce.

There are other things, too. Such as the introduction of a 40-hour week, plans to dissuade workers from doing overtime, and a two-month timetable for the unions' anti-trust commission to propose ways of breaking the concentration of power in the hands of the big conglomerates. All these issues will be raised and fought for in the National Economic, Development and Labour Council (Nedlac), the forum designated for government, unions and employers to achieve consensus on key economic issues.

Inevitably, there is a degree of posturing on both sides, but the adoption of such radical opening stances carries the cost of having to make far greater public concessions if agreement is ever to be reached. It also makes Mr Manuel's task ever more difficult because of the risks he runs of being labelled as more sympathetic to one side or the other.

Many of the union demands could be dismissed, if only because of their huge potential damage to domestic and foreign investor confidence, but Cosatu remains a key element in the tripartite alliance with the ANC and the communist party. Its political muscle should not be underrated. It successfully blocked Mr Liebenberg's plan to include in the budget a 1 per cent increase in the rate of value added tax, and has for the time being checked the government's tentative privatisation plans.

As minister of trade and industry, Mr Manuel showed a willingness to face tough issues and square up to special interest groups. He believes that South Africa must modernise to compete internationally. He also intensely dislikes being lobbied. Even after just a week in office, he also probably understands better why Mr Liebenberg was smiling so broadly.

NEWS: THE AMERICAS

Appeal to middle-class voters

Clinton acts on pensions and abortion

By Patti Waldmeir in Washington

In an attempt to assuage the economic insecurities of middle-class voters in an election year, President Bill Clinton yesterday announced proposals to make pensions more secure and portable.

The White House said yesterday that nearly half of all private sector workers were not covered by pension plans. The president said he wanted to make retirement "something Americans look forward to, not dread," adding that his proposals would help achieve that.

The proposals would increase pension coverage of employees in small businesses – where the majority of new jobs are now being created – and make it easier to carry pensions from one job to another, an important measure at a time of high job turnover.

Many of the ideas contained in the proposals have been introduced in Congress before, and stand little chance of passage.

But President Clinton is clearly keen to be seen to address the economic fears of middle class voters, many of whom believe the state pension system will be bankrupt by the time they retire, leaving them dependent on employer-provided pensions for security in old age.

In another move which could affect his re-election prospects, the president aligned himself with abortion rights advocates by vetoing a bill which would have outlawed one form of late-term abortion.

Though most Americans say they favour abortion, so-called "partial birth" abortions are widely opposed as inhumane.

Congress sent the President a bill which would have banned the practice, which he vetoed late on Wednesday, because it made such abortions illegal even when the health of the mother could be gravely affected by continuing pregnancy.

Mr Clinton held an emotional White House ceremony to veto the bill, attended by five women who had undergone the procedure and spoke tearfully about how they had overcame their reluctance to do so.

There is likely to be insufficient support in Congress to override that veto.

Senator Bob Dole, the presumed Republican presidential nominee, yesterday attacked President Clinton's decision, saying "a partial-birth abortion blurs the line between abortion and infanticide and crosses an ethical and legal line we must never cross."

Caldera set to swallow the medicine

But Venezuela's president is a reluctant IMF pupil, writes **Raymond Colitt**

A few months after Venezuela plunged into financial crisis in 1994 when the state was forced to spend $7bn rescuing more than half the country's banks, President Rafael Caldera declared he would not "get down on his knees before the International Monetary Fund".

Today he appears about to swallow most of the bitter medicine prescribed by the IMF to rescue the floundering economy. Mr Teodoro Petkoff, the planning minister, announced this week that the government was to adopt a comprehensive economic stabilisation programme, which would include the removal of foreign exchange controls, and was close to reaching a preliminary accord with the IMF.

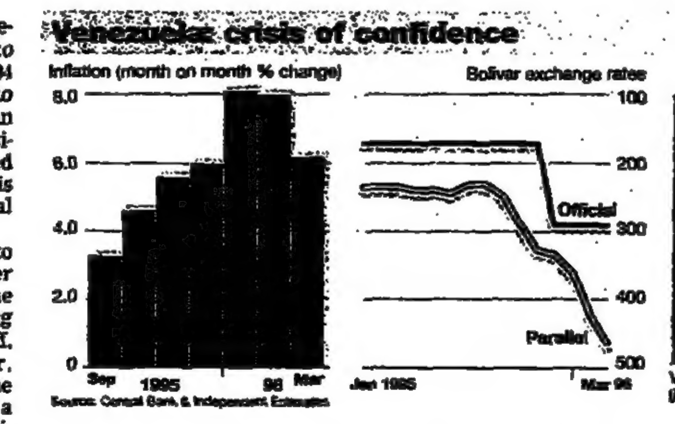
Why the about-face by Mr Caldera? Certainly not because he is convinced by the IMF-inspired reforms, says Alfredo Keller, head of the polling firm Consultores 21.

"He doesn't believe in it, he doesn't want it, but he has no choice but to implement [the reform package]," says Mr Keller.

With economic indicators worsening and the government's popularity waning, the president's room to manoeuvre has all but vanished. Annualised inflation, already Latin America's highest at 76.1 per cent, could reach three digits in coming months, the non-petroleum sector is in its third year of stagnation, and the budget is short by 6 to 7 per cent of gross domestic product.

"There is no more time for a gradual approach," says Mr Petkoff.

Pressure by industry and labour alike mounted in recent months as it became evident that the government's increasingly unwieldy exchange rate policy was exacerbating macro-economic distortions.



Venezuelan president Rafael Caldera: little room for manoeuvre

An overvalued fixed bolivar temporarily fuelled consumer imports and a spending spree of Venezuelans travelling abroad. Negative real interest rates prompted additional capital flight, consuming some $2.2bn in reserves by mid-1995.

Though a further tightening of controls and reduced allotments of foreign exchange late last year helped reserves to recover to a current $10bn, the foreign currency shortage caused a scarcity of a range of goods, from imported floppy disks to telecommunications equipment. Businesses were forced to cut back operations and one airline had to ground many of its aircraft because of a shortage of imported spare parts.

"The government was buying time by plugging one loophole after another," said one Caracas analyst. "The difference between the official and parallel exchange rates grew out of band and the system collapsed under its own weight."

Yet returning to market forces and freeing the exchange rate will require a serious balancing act in an economy which, in Mr Petkoff's words, resembles "a house on fire".

Everything points to a devaluation, at least as a first step. "The accumulated pressures in the foreign exchange market," says Mr Gustavo Garcia, an economist at the graduate business school IESA, "is likely to provoke a devaluation of between 50 and 60 per cent."

With confidence in the national currency at an all-time low, the IMF urged a rapid rise in interest rates from a current negative 35-40 per cent in real terms to make bolivar investments more attractive and to avoid an excessive run on the currency.

Yet economic authorities, including central bank director Mr Domingo Zavala, cautioned that this could deliver a serious blow to a "still shaky banking sector".

Some observers suggest the government might devalue beyond the market rate to postpone an immediate interest rate rise. Yet Mr Domingo Fontiviero, head of the economic consultancy D.F. Analytica, says this would "work only temporarily and at a very high inflationary cost".

He adds that both measures need to occur simultaneously. "The idea behind the planned devaluation is to compensate for backed-up foreign exchange demand, while the increase in interest rates is to prevent the bolivar's future depreciation."

It also remains unclear whether the bolivar would subsequently be allowed to float freely or within a band system, though Mr Petkoff indicated that under the new regime "the central bank would intervene to prop up the bolivar".

Whatever the scenario, economic authorities expect that initial capital flight will burn a "sizeable amount" out of the country's reserves, which independent economic analyst, Mr Orlando Ochoa, estimates could be as much as $1.5-$2bn.

Restoring confidence in the bolivar and stabilising the economy, most analysts agree, requires above all fiscal discipline. As a result of the current talks with the IMF on a $2.5bn standby agreement, targets are crystallising.

To cut the inflation-fuelling budget deficit from 7 per cent to within 1 or 2 per cent of GDP, the government intends to adopt a five-fold increase in petrol prices, boost the wholesale tax to 16.5 per cent and jump-start its stalled privatisation plan. Sales this year could bring in as much as $1.5bn.

Some foreign investors sense that differences within the government could hinder the successful implementation of reforms. Says Mrs Joyce Chang, head of the emerging markets division of Merrill Lynch in New York: "There seem to be differences within the cabinet as to how far and how fast to go with these measures."

The scepticism is warranted, says Mr Keller. "For two years President Caldera has been saying just the opposite of the economic plan he would now have to sign his name to."

Though the president, a political veteran who shaped recent Venezuelan history, may not have turned free marketeer, at 80 he appears to have learned a lesson. Being a populist president today is not as easy as in 1969, when Mr Caldera assumed office for the first time and state coffers brimmed with newly-found oil wealth.

Chilean congress rejects reforms

By Imogen Mark in Santiago

The Chilean government was defeated in Congress yesterday when the opposition voted to reject a package of constitutional reforms.

The vote, in effect, kills the reform package, which is designed to abolish the office of non-elected senators. A government spokesman said the administration would continue its efforts to push the reforms through.

The reforms would also have amended membership of the constitutional tribunal, the apex body empowered to veto legislation.

However, the most controversial component of the current reforms was the measure to amend the balance in the Senate by abolishing the office of the nine non-elected senators.

The office-bearers were nominated by the outgoing military regime in 1989 and have consistently voted with the opposition minority against the government.

The government, which had initially proposed the reforms in August last year, had won the support of the liberal leadership of National Renovation, the main opposition party. But the majority of NR senators voted against the advice of its leadership and opposed the reforms, along with the non-elected senators.

The NR party leadership had earlier threatened to expel its recalcitrant members and the issue may now divide the party further.

The non-elected senators' term of office expires in March 1998, when the government would, in theory, be able to nominate directly or influence the nomination of at least five successors. The other four are named by the armed forces.

In addition, under current rules, General Augusto Pinochet, the 80-year-old army commander and former president, would take an ex-officio seat in the Senate when he leaves the command, also in March 1998.

Uruguay takes step to defuse its pensions 'time bomb'

By David Pilling in Montevideo

Uruguay, which has one of Latin America's most comprehensive welfare state systems, will take a big step towards pensions deregulation from today when employees will be able to place part of their retirement contributions in one of several private pension funds.

Uruguayans under 40 years of age who earn more than $700 a month will be obliged to place half their pension contributions into a private capitalisation account in one of six Administradoras de Fondos de Ahorro Previsional (AFAPs).

Other employees can choose whether to join an AFAP or to remain entirely within the state system.

The shift from a pay-as-you-go system to a mixed scheme, bitterly opposed by some sections of Uruguayan society, has been largely propelled by the state's increasing difficulty in financing generous retirement benefits.

The current system swallows nearly 60 per cent of government spending and accounts for 16 per cent of gross domestic product, according to officials. High life expectancy, a low retirement age and youth emigration mean that, for every three working Uruguayans, there are two pensioners.

"This will help to defuse the pensions time bomb," said Mr Ramon Diaz, a former central bank governor. The new system was also designed to push up the retirement age by rewarding those who opt to continue working beyond the age of 60, he said.

Mr Douglas Peterson, general director of Citibank Uruguay, which has set up one of six private pension funds, said he expected the AFAPs to build up a $1bn pool of savings within five years. Other AFAPs have been established by Santander, the Spanish bank and by several local banks, while the Bank of Boston is also expected to enter the market.

"This will definitely lead to a deepening of the capital markets," said Mr Peterson, who said that Uruguay's state-dominated economy was "still a step behind in becoming a financial centre."

Only a handful of companies were actively traded on the stock market, while the previous absence of institutional investors had stifled the development of sophisticated instruments.

Mr Jorge Caumont, an economist, said pension reform was "timid" and would not have an immediate economic impact. The treasury, which will issue bonds to sell to the AFAPs, would absorb most of the funds, leaving little left over for the private capital markets, he said.

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Skoda to lead Volkswagen's big drive east

By Kevin Done, East Europe Correspondent

Volkswagen, Europe's biggest carmaker, is expanding operations in eastern Europe through its Czech subsidiary, Skoda.

Skoda, 70 per cent owned by the German carmaker, plans to assemble cars under licence in Russia and Belarus and increase output at its Polish and Czech plants.

Skoda has signed an agreement with Smolensk Auto Rossia (SAR) for the assembly of its Felicia small car at a plant near Smolensk, western Russia.

SAR will assemble up to 10,000 cars a year from SKD (semi-knocked down) kits supplied by Skoda from the Czech Republic.

SAR, a venture formed by Russian defence enterprises seeking to increase civilian production, has also been appointed as a distributor in Russia to build up a sales and service network.

Skoda will also help develop Russia's components sector as part of the Smolensk project.

In Belarus, Skoda has begun pilot kits assembly of the Felicia at a plant near Minsk and is planning to extend the operation later this year.

Kits, also supplied from the Czech Republic, will be assembled at a joint venture formed by Agromash-Dzerzhinsk of Belarus and Fahrzeugelektrik Ruhla, a components supplier from eastern Germany.

"We want both these operations to be the start of attracting local suppliers," said Mr Volkhard Köhler, vice-chairman of the Skoda management board.

The VW group is increasing its operations and its purchases of components and materials in central Europe, where wage costs are less than one tenth of German levels.

In the longer term, however, it believes that it will have to look further east for lower-cost suppliers in countries such as Belarus and other parts of the former Soviet Union, where wage levels are a quarter of those in central Europe.

In Poland, where Skoda began small-volume SKD kits assembly in 1994 to circumvent heavy tariffs on built-up car imports, the group is planning almost to double output from 7,631 cars last year to between 13,000 and 15,000 this year.

"We want to use Poland as a stepping stone to the east," said Mr Köhler.

Skoda is planning to expand its activities at the Volkswagen plant at Poznan in western Poland, where VW holds a 25.4 per cent stake, to allow for the CKD (completely knocked down) assembly of Felicia kits in 1997.

At present painted car bodies with complete instrument panels and driver cockpits are transported from the Czech Republic, but from next year Skoda is planning to begin welding and painting car bodies in Poznan.

Skoda expects to increase production in the Czech Republic this year by around 20 per cent to more than 250,000 after raising output by 20 per cent last year to 208,279 from 173,586 in 1994.

It increased its retail sales last year by 14 per cent to 209,591. Sales in the Czech Republic rose by 13 per cent to 72,078. Its most important foreign markets were in Germany (21,117), Britain (13,146), Slovakia (12,126) and Poland.

In the most significant expansion since Volkswagen took over management control in 1991, Skoda is due to launch a second model range, the Skoda Octavia, in the autumn, with the aim of raising output to around 340,000 cars a year in the late 1990s.

The new range will enable the Skoda brand to compete for the first time in the largest volume segment of the European market for small family cars in competition with models such as the Ford Escort and the Opel Astra.

WORLD TRADE NEWS DIGEST

OECD urges bribes action

Several European governments are likely to stop allowing companies to deduct foreign bribe payments from their tax bills, in line with a recommendation approved yesterday by ambassadors of the 27 members of the Organisation for Economic Co-operation and Development. More than half the OECD membership, including the US, the UK, Canada, Nordic countries and Japan, already do not allow tax deductions for bribes.

France and Germany had led resistance to the recommendation, on the grounds it would place OECD countries at a commercial disadvantage. They were won round by an OECD commitment to monitor implementation of the recommendation and to encourage matching action by non-OECD governments. However, the US, which launched the anti-bribery initiative, has yet to persuade the majority of OECD members to join it in making illegal the bribing of foreign officials to win contracts. *David Buchan, Paris*

Lukoil hopeful on Kazakh oil

Lukoil, Russia's largest privatised oil company, is confident it can raise $500m to help finance the first stage of the Caspian pipeline project, designed to transport oil from the Tengiz field in Kazakhstan to the Black Sea. Mr Vagit Alekperov, Lukoil president, said yesterday he hoped the company would win a 15 per cent share of the project and become one of its chief operators alongside Chevron, the US oil group. Lukoil's share of the finance had already been guaranteed by CS First Boston, the international investment bank, he said. Construction of the pipeline, which is critical for development of the giant Tengiz field, has been stalled for months following disputes between the Russian, Kazakh, and Omani partners. Mr Alekperov said Lukoil was also keen to increase its share in the $4bn Shakh-Deniz oil project in the Azeri section of the Caspian Sea. Lukoil already owns a 10 per cent equity stake in the project was "ready" to take on another 10 per cent, Mr Alekperov said. *John Thornhill, Moscow*

EU camera dumping rethink

The European Commission has begun a review of the efficacy of anti-dumping duties it levies on imports of certain television camera systems from Sony and Ikegami Tsushinki of Japan. The commission said the review had been prompted by complaints that resale prices of the camera systems in the EU had either not risen or had risen insufficiently since the duties had been imposed. "This indicates that the anti-dumping duties have been borne, wholly or partly, by these exporters," the Commission said. *Reuter, Brussels*

■ Sony will establish its second factory in eastern Europe, a television component plant in Trnava, Slovakia, to begin operation in October this year. *Reuter, Bratislava*

■ Northern Telecom, Canada's biggest telecommunications equipment maker, will supply specialised switching systems for a $10m broadband multi-media network linking Bogota, Cali and Medellin in Colombia. *Robert Gibbens, Montreal*

■ Canada's Newbridge Networks, which specialises in switches allowing simultaneous transmission of voice, data and video, said yesterday it would secure a significant share of Entel Chile's $10m project to link Santiago and other large cities for electronic mail, instant fax transfer and Internet access. Newbridge will supply the switching equipment. *Robert Gibbens, Montreal*

Airbus set for long haul in China aviation market

This week's breakthrough for the European consortium still leaves it way behind Boeing

Agreement between China and Airbus for a $1.5bn package of aircraft, including 30 150-seater A320s, is widely viewed as a significant breakthrough for the European consortium.

But airline analysts appear divided on what it means for Airbus and Boeing in the cut-throat China market - some maintain the deal spells the end of the US company's dominance and others see a more mixed picture.

Mr Chin Lim, a Singapore-based analyst with Morgan Stanley, believes the Airbus deal is an attempt by China to balance its previous reliance on Boeing, and also to give it additional leverage in negotiations on price.

"The message from China is that we don't need to rely solely on the US and Boeing. If there is a trade war we have somewhere else to go," he said.

Mr Chin says it is significant that China's purchases of Airbus are weighted towards the A320, which he describes as suitable for "regional" routes, whereas Boeing with its wide-bodied 777s and 747s is likely to continue to dominate the longer-haul market.

He also noted that Airbus had lost ground recently to Boeing with Asian airlines, which had tended to favour the 777 over its direct Airbus competitors - the A330 and A340.

Analysts agreed the timing of the Airbus deal was more than coincidental, following tension in Sino-US relations over Taiwan, human rights, trade and other issues.

Mr Rolf Rue, president of Airbus Industrie in China, believes his company is in for a period of "catch-up" in the Chinese market. "We are reaching an equilibrium in the market ... we're getting our message across in China," he says.

But the European consortium, which represents Aérospatiale of France, Daimler-Benz Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain, faces a long haul in its efforts to bridge the gap with Boeing and McDonnell Douglas.

US-manufactured aircraft account for about three-quarters of China's 400-strong passenger fleet. Airbus has just 28 aircraft in service there.

Chinese officials have told Boeing that to meet increasing demand they will need 800 more aircraft over the next 15 years.

Boeing has also estimated that sales of commercial aircraft in China over the next 20 years will be worth $100bn, making the country the third biggest aviation market in the world after the US and Japan.

Boeing expressed confidence it would continue to be dominant. "I don't see the Airbus deal is a great problem," a representative said in Beijing.

Aviation representatives in Beijing believe that China will experience "huge" demand for feeder aircraft, including Airbus A320s, in the next decade.

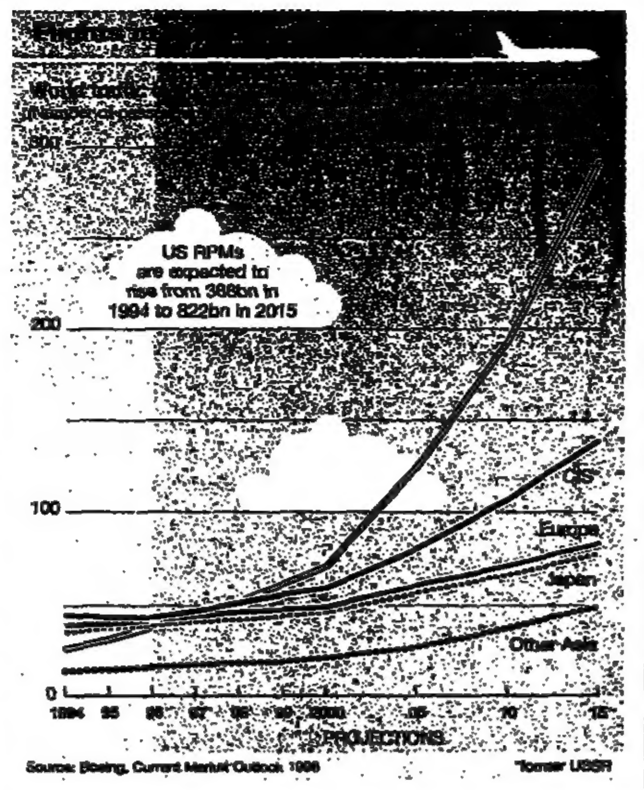
Airbus Industrie forecasts China will acquire 1,320 aircraft worth $100bn up to 2014. This would account for 35 per cent of sales in the entire Asia-Pacific area. Boeing's projections are much the same.

China is also accelerating the expansion of its airport network to cope with the continuing surge in passenger numbers. Spending on airports this year will rise by 30 per cent in line with government attempts to upgrade facilities which, in the case of the big hubs of Beijing and Shanghai, are grossly inadequate.

Both Boeing and Airbus have worked hard at persuading the Chinese that they can help improve the country's high-technology industrial base and its aviation employees' skills. Boeing operates one of the world's largest aircraft spare parts centres at Beijing Capital Airport. Run in co-operation with the China Aviation Supplies Corporation (Casc), a government agency which acts as an intermediary between western manufacturers and Chinese purchasers, Boeing says the centre can meet urgent orders for 15,000 parts in two hours. Boeing is also helping develop China's leading pilot training school.

In spite of its late entrance, Airbus is investing heavily in China. In partnership with Casc, it began building its own training and service centre in Beijing last year. It has also awarded contracts to Chinese companies to make parts for Airbus aircraft.

Tony Walker



Source: Boeing, Current Market Outlook 1996

Chinese sign Air jet 'deal'

By Michael Skapinker in London and David Buchan in Paris

Chinese and European aerospace executives yesterday signed an agreement to work together on building a 100-seat jet, but China said it had not yet made a final decision on a partner, and Boeing was still in the race.

The agreement was signed by Mr Zhu Yuli, head of Aviation Industries of China (Avic), and Mr Louis Gallois, chairman of Aérospatiale of France, on behalf of Aero International Regional (Air), the European regional aircraft company.

European aerospace officials said they thought the agreement gave them some advantage over Boeing.

British Aerospace, which, with Aérospatiale and Alenia of Italy, owns Air, said: "It's a very significant step forward and we will continue negotiations."

Yesterday's agreement was signed at the Elysée Palace before Mr Li Peng, the Chinese prime minister, and President Chirac of France. Some aerospace executives concluded that the hurriedly arranged signing was the result of French political pressure rather than a Chinese preference for Air.

Europe turns out the victor in US-Japan car trade tussle

President Clinton will today proclaim the success of last year's US-Japan car trade accord. But the reality is more complicated, writes Michiyo Nakamoto

In the nine months since the US and Japan edged back from the brink of a trade war over cars and car parts, the mood across the Pacific has changed for the better.

President Bill Clinton will today reveal a dramatic rise in US car sales in Japan following the car trade accord.

Mr Mickey Kantor, the US trade representative, who is known for his uncompromising stance, has gone out of his way to applaud the success of the car accord and even the normally critical American Automobile Manufacturers' Association reports that US car companies are increasing sales in Japan as a result of that agreement.

US car makers have gained ground in Japan at a time when Japanese carmakers are launching aggressive marketing efforts to expand market share in their home market.

The Big Three US carmakers sold 77,022 cars in Japan last year, including those made in Europe, according to the Japan Automobile Importers' Association - a 38 per cent increase over 1994.

In the first three months of this year, sales by the Big Three rose 33 per cent to 24,653 units, although 31 per cent of the total is accounted for by Opel, GM's German subsidiary.

However, many agree that the improved fortunes of foreign carmakers in Japan owe more to the yen's rise and greater marketing efforts of US carmakers than to the bilateral trade agreement.

"Nothing has changed because of that agreement," according to Mr Konen Suzuki, president of Ford Japan.

Also, it is the Europeans who gained most out of the growing Japanese interest in imported cars and US carmakers still have some way to go to catch up with them.

Among imported cars in Japan, the Volkswagen Audi group sold the most, after Honda's US arm last year. The German company, with sales of 45,865, was followed by compatriots Mercedes-Benz, with 35,167, BMW with 34,426 and Opel with 32,438. This year has so far shown a similar pattern.

The US Big Three have trailed the leading Europeans.

Ford's sales last year were 30,840, including the European-made Mondeo. Chrysler sold 14,504 vehicles, while GM sold just 8,186, excluding cars made by Opel which are considered European in Japan.

The success of European carmakers has much to do with their marketing efforts, which have helped them to develop greater brand recognition than the Americans.

"Everyone knows the Golf and Volkswagen Audi," said a representative of Toyota, which sells GM's Cavalier in Japan under the Toyota badge and also markets Volkswagen Audi cars through a dedicated distribution network.

"But few people know the Cavalier," he said, to explain the difficulty Toyota dealers face in marketing GM's vehicle. At a recent show, one prospective customer inquired what GM was.

Lack of familiarity with US cars and their manufacturers has been aggravated by the failure of US carmakers to establish the kind of clear, positive image many European carmakers enjoy in Japan.

"A lot of people chose the Golf over a domestic car because it is an imported car," admits a representative at Volkswagen Audi.

Even as imports have become substantially more affordable due to the yen's appreciation, and therefore less of a status symbol, European cars have continued to be seen as a class above comparable Japanese vehicles.

"Although the Golf has become more affordable, Japanese consumers do not consider it a mass-market car," a VW representative explains.

European carmakers have also succeeded in establishing a reputation for safety.

Volvo sold 20,503 vehicles in Japan last year, an increase of 33 per cent. Its most popular model, the GLE Estate, is no bargain at Y4.7m ($43,300), but many Japanese consumers put faith in its safety features.

In contrast, the difficulty US carmakers have had in establishing a similar image for quality was recently underlined by Ford in a series of advertisements positioning the Mondeo as Europe's best-selling car.

"The Mondeo did not take off amid the boom for European cars last year," said Mr Suzuki.

A concern in launching the advertisements was to convey a message that the Mondeo is German-made and that it is Europe's best-selling car of its type. The strategy appears to have worked and Mr Suzuki says more people are now visiting Mondeo showrooms.

Mr Suzuki says that it will take time for US carmakers to establish a better reputation in Japan.

US carmakers also need more time to increase the number of sales outlets handling their cars. The Big Three had added 29 outlets in Japan by last month against a target of 200 new outlets by the end of this year and 1,000 additional outlets by 2000.

The total number of outlets handling US cars has risen to 773, not including the Honda outlets which sell Chrysler Jeeps. This compares with 1,461 outlets handling European cars, including Opel vehicles, according to ACEA, the European car manufacturers' association.

Among the Americans, Ford has been one of the most active in trying to recruit more dealers.

However, Mr Suzuki admits he has a tough task ahead. "The US-Japan auto agreement did not make any difference," he notes. "But I am resigned to the fact that it takes 10 times the effort than elsewhere to build a network in Japan," he sighs.

Toyota may cut Indonesia output

By Michiyo Nakamoto in Tokyo

Toyota, Japan's largest carmaker, may cut vehicle production in Indonesia in response to recent regulations which threaten to disadvantage foreign carmakers.

Toyota's move comes as Japan and Indonesia prepare to start talks over Indonesia's national car project, which Japanese officials say could breach international trade rules.

Mr Shunpei Tsukahara, Japan's trade and industry minister, met his Indonesian counterpart, Mr Tungky Ariwibowo, in Tokyo yesterday and agreed to try to resolve the issue bilaterally.

However, Japan could still take the matter to the World Trade Organisation, depending on the outcome of the bilateral talks, the Ministry of International Trade and Industry said.

The Indonesian national car project, announced in February, specifies conditions – such as majority Indonesian ownership – for car companies to be designated a manufacturer of a "national car" and receive special treatment.

Companies that meet the conditions will be able to avoid tariffs on imported components, as well as a domestic luxury tax. So far, only one company, a joint venture between the son of Indonesia's president Suharto and South Korea's Kia Motor, meets the conditions.

The Japanese government claims that some of the conditions breach the rules of the World Trade Organisation. The need for the company to be 100 per cent locally capitalised goes against a rule on national treatment, for example.

Toyota is also reviewing plans to bring a second facility on stream in 1998, nearly doubling production capacity in Indonesia to 150,000 from 80,000 last year.

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Vietnam oil deal prompts China warning

By Jeremy Grant in Hanoi

Vietnam has signed a contract with Conoco of the US to explore for oil in an area of the South China Sea claimed by China, prompting a warning by Beijing yesterday and bringing a long-running territorial dispute back into the spotlight.

On Wednesday, Conoco agreed on joint drilling with PetroVietnam, the state oil agency, of two blocks in the Vanguard Bank, about 350km east of the Vietnamese coast.

The Chinese foreign ministry said the deal could not go ahead as it was in Chinese waters. Beijing refers to the area as Wan 'An Bei and says it belongs to China, part of a bigger claim extending across much of the South China Sea, including the Spratly Islands.

Hanoi says the Wan 'An Bei area, which it calls Tu Chinh, is an integral part of its continental shelf.

Diplomats see the area, criss-crossed by shipping lanes, as a potential flashpoint for a conflict between China and Vietnam, possibly involving Malaysia, Taiwan and the Philippines, which also claim all or part of the Spratlys.

China has said it will reject any attempt to submit the dispute to international jurisdiction as it prefers to settle any disputes bilaterally.

The Conoco contract is the latest move in a four-year tit-for-tat between Hanoi and Beijing involving awards by the two rivals of exploration contracts to foreign companies, all from the US. Washington has declined to take sides.

Diplomats say the Conoco contract is an affront to China because one of the blocks scheduled for drilling, Block 133, directly overlaps a block Beijing gave to Crestone Energy, a Denver-based oil company, in May 1992.

At the time, Vietnam condemned the Crestone move as illegal and a violation of Vietnamese sovereignty. But in early 1994, Mobil of the US won a licence from Hanoi to drill for oil in the Thanh Long (Blue Dragon) field, not far west of Vanguard Bank. China said this violated its territory.

Finally, in August last year, Vietnam repeated its opposition to the Crestone contract, adding it intended to carry out exploration in the Wan 'An Bei area.

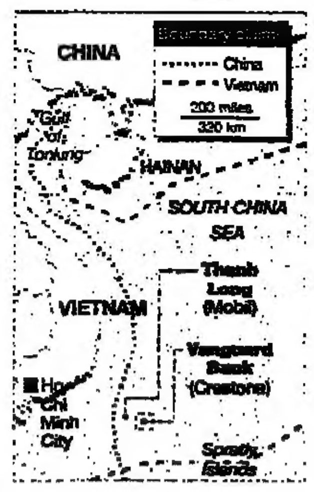
Relations between the two countries, which fought a brief but fierce border war in 1979, have been improving in recent months. Rail links suspended since the war were re-established in February and both sides pledged themselves to boost trade ties.

Conoco is understood to have been eyeing the two blocks for years.

A study carried out last year by Covington & Burling, a US law firm, concluded that under international law Vietnam had a stronger claim to the disputed territory than China.

Richard Waters adds from New York: Conoco refused to say when it planned to begin drilling, but hinted it was unlikely to invest heavily in the two blocks until the territorial dispute was settled.

"Obviously, this [the dispute] will have an impact," an official said. "The sovereignty issue is something that will have to be resolved by China and Vietnam, not by Conoco."



Relief over Japan budget vote

By William Dawkins and Gerard Baker in Tokyo

The Japanese government yesterday won political breathing space with the parliamentary adoption of this year's Y75,100bn ($692bn) budget, thanks to an ambiguous accord to freeze a plan to use public money for liquidating bankrupt housing loan companies.

Passage of the budget, which includes the sharpest rise in public spending in five years, removes a short-term uncertainty over the Japanese economy's recovery just days before Prime Minister Ryutaro Hashimoto is to hold his first summit talks with US President Bill Clinton.

Japan's lower house of parliament cleared the budget yesterday, ending more than a month of deadlock created by the main opposition party's refusal to co-operate until the government removed from the budget the Y685bn controversially earmarked for the *jusen* housing lenders.

Opposition politicians had staged an unprecedented sit-in outside the meeting place of the house budget committee in an attempt to embarrass the government.

Under Wednesday's accord, both sides agreed to suspend the *jusen* package pending agreement on the fine detail of how the liquidation would proceed. The budget is due today to go to the upper house, the final legislative step.

The *jusen* accord was greeted with widespread disappointment in Tokyo for leaving unclear the government's willingness to allocate public funds to help clear the bad debts of Japan's weaker small banks, of which the *jusen* represent a small part.

Mr Yasuo Matsushita, governor of the Bank of Japan, the central bank, reminded a seminar yesterday that bad debts at the housing-loan companies and other financial institutions, officially estimated at Y38,000bn, remained a pressing problem.

Foreign economists were even less impressed. "This is ambiguity by decision. The government can tell the opposition it has abandoned the use of public funds and tell foreign investors the *jusen* issue is being resolved. But nobody is any wiser... This is not good for the international position of the government or the economy," said Ms Mineko Sasaki-Smith, senior economist at Morgan Stanley in Tokyo.

Mr Jeff Young, political analyst at Salomon Brothers Asia, predicted the government would fail to get an agreement on *jusen* funding by the end of this parliamentary session on June 19. "The accord is just a temporary reprieve," he said.

Mr Hashimoto's position as prime minister has not been under serious threat so far in the *jusen* battle. But the New Frontier party (NFP), the main opposition group, is seeking to discredit Mr Koichi Kato, secretary-general of the prime minister's Liberal Democratic party. The NFP had demanded Mr Kato face parliamentary questions on allegations he had received political donations from a company which borrowed from a bankrupt *jusen*.

Political experts believe the NFP could precipitate a general election by forcing Mr Kato to resign, thereby fatally weakening the coalition. A general election is not legally required until July next year.

'Decision' is a mere illusion

Tokyo's jusen deal has settled nothing, writes Gerard Baker

After four months of apparently endless deadlock, Japan's lower house of parliament yesterday approved, in remarkably short order, the national budget for the current fiscal year.

The brief debate in the plenary session concluded with a large majority in favour of the Y75,100bn ($692bn) budget, which includes the controversial Y685bn bailout for the country's bankrupt housing loan companies.

But passage of the bill, which has on occasions this year threatened to topple the government of Mr Ryutaro Hashimoto, occasioned no celebration in official circles last night for the simple reason the "decision" was merely another decision to procrastinate.

Though it settles the bulk of the government's finances for the next year, on the crucial and highly unpopular bailout plan it probably does no more than pave the way for at least another couple of months of haggling between opposition and government.

The opposition New Frontier party (NFP) decided on Wednesday to stop blocking a vote on the budget only when the government agreed to insert in the bill an apparently innocuous clause which in fact leaves debate almost exactly where it was four months ago.

The clause says the Y685bn will be released for the liquidation of the housing lenders, or *jusen*, only after a "framework for the liquidation has been established". This neatly ambiguous phrase was immediately construed differently by the two sides.

For the opposition, it means the whole question of public money for the *jusen* bailout is once again under discussion. A parliamentary committee will now examine the package in more detail.

Opposition members intend to use the deliberations to get the government to change the plan. They want the banks, the leading creditors of the *jusen*, to take a much larger share of the liquidation costs with a corresponding reduction in the share the public is being asked to provide.

However, for the ruling coalition, the clause is simply an affirmation of its own plan for the liquidation, with the Y685bn intact. A number of parliamentary bills, at present awaiting debate in the lower house, relate to the *jusen* liquidation.

These include the establishment of a special body to take over the assets of the bankrupt companies and a series of changes to the country's deposit insurance laws. Only when all these have been passed will the full *jusen* package be in place.

That, say officials, is the meaning of the ambiguous clause. All parliament has to do is to approve those measures and the money will be released as planned.

According to a finance ministry official, the "framework" mentioned in the new clause is merely "the framework already envisaged in the *jusen* liquidation plan".

In short, the "compromise" appears to have settled nothing. Though the government enjoys a comfortable majority in parliament, it still seems reluctant to ram its interpretation of the plan through the house for fear of further exciting public hostility.

Instead the long process of trying to forge consensus where none exists will ensure the debate drags on, at least until the end of the parliamentary session in mid-June.

While the pantomime continues, the uncertainty over its eventual outcome is further exercising the country's financial institutions.

The banks, which are to write off Y5,000bn in bad loans to the *jusen* as part of the liquidation plan, believe that an early settlement is essential in order to restore full confidence in the financial system and to enable them to begin addressing a host of other problems in their balance sheets.

The delay also presents them with a practical difficulty.

Under the government's scheme, they were asked to abandon all their claims on the *jusen* in exchange for being allowed to write off their bad loans tax-free.

But until they know what their final burden will be, they are not prepared to take the risk of losing all entitlement to any funds that might be recovered from the *jusen*. Since they are due soon to publish their accounts for the year, which ended last month, the uncertainty is especially troubling for them.

In the end, though, the public, as hostile as ever to the planned bailout, may feel entitled to wonder what all the fuss is about. Dire predictions of financial and economic chaos if the scheme is not approved have attended the government's defence of its plan since it was announced in December.

But while politicians have squabbled, the economy has produced its strongest rate of growth for five years, the stock market has risen to a four-year high, the yen has continued to slide, and even the banks have made their most impressive progress yet in removing their remaining bad loans from their balance sheets.

In such a rosy scenario, who pays the Y685bn, whether banks or taxpayers, hardly seems to matter.

Australia jobless at 8.5% despite business boost

By Nikki Tait in Sydney

An apparent increase in business confidence in Australia in the wake of the conservative coalition's win in the federal election last month failed to prevent a rise in the country's jobless rate to 8.5 per cent.

The March figure was only marginally higher than the 8.4 per cent recorded in February, but was noticeably worse than most private-sector economists had forecast. The market consensus had been for a fall in the unemployment rate to about 8.3 per cent.

During the month, the number of jobs fell by 55,300, with both the full-time and part-time sectors registering a decline. Again, forecasters had expected a brighter picture, with most predicting a 10,000 gain in jobs.

The Liberal-National coalition government described the figures as "disappointing", but placed the blame on the previous Labor administration.

Senator Amanda Vanstone, the employment minister, pointed to the recent volatility of seasonally adjusted data. "Not too much weight should be placed on month-to-month fluctuations in such a volatile series," she said. "The labour market is essentially flat."

The new government maintains that its pro-business agenda, and measures aimed at the small business sector in particular, should help redress the position.

However, Mr Alan Oster, chief economist at National Australia Bank, the largest of Australia's four big banks, warned yesterday that planned cuts in public-sector jobs could worsen the problem in the short term.

The government has declined to say how many jobs will be shed to help achieve the target of a balanced budget by 1997-98 but it has conceded that the figure may be higher than the 2,500 mentioned in the election campaign. Some estimates have put the figure as high as 30,000.

"Broadly, if you believe somewhere between 5,000 to 15,000, we would expect something like another 0.1 or 0.2 per cent on the unemployment rate," Mr Oster said.

NAB has been among the less optimistic forecasters of Australia's economic outlook. It is at present predicting a 2.5 per cent growth rate in 1996-97; the treasury is assuming 3.25 per cent.

ASIA-PACIFIC NEWS DIGEST

Australia plans E Timor query

Mr Alexander Downer, Australia's new foreign minister, expects to raise the subject of East Timor with members of the Indonesian government when he begins a four-day official visit to the country next week. The issue of human rights in East Timor has been one of the more difficult elements in the two countries' recent relationship.

Mr Downer warned against excessive focus on the issue, saying a danger existed of hardening attitudes rather than softening them.

"We have got to work the most productive approach... we want to see political evolution in East Timor, there's no question of that, but in the end the Indonesian government are going to make decisions about that," he said.

The Indonesian visit will be the first stop on a week-long South-East Asian trip which will also take in Singapore and Thailand. Mr Downer, was at pains to stress the new conservative government would make closer engagement with Asia its "highest foreign policy priority".

Rapid growth rates in Asia could pose problems, as well as opportunities, for Australia, he added. Investment demands of the region could raise the cost of capital, he cautioned. *Nikki Tait, Sydney*

Singapore libel damages award

The Singapore high court yesterday ordered a US academic to pay Mr Lee Kuan Yew, the island's former prime minister, at least S$100,000 (US$71,430) in libel damages for writing an article attacking its judiciary.

Mr Lee had filed the personal suit against Mr Christopher Lingle four months after three executives of the International Herald Tribune, which published the contentious article, agreed to pay him S$300,000 in libel damages.

Mr Justice S. Rajendram said Mr Lingle "was jointly liable with the other defendants for the S$300,000 and solely liable to the plaintiff for the additional S$100,000." Mr Lee's lawyers in late March requested the court to award him "substantially in excess" of S$300,000 in libel damages from Mr Lingle.

Mr Lingle, a former senior fellow at the National University of Singapore, who left for the US after he was questioned by police on publication of the article, was not represented in court. *AFP, Singapore*

Beijing cracks down on hotel TV

Two foreign-run hotels in Beijing are facing "severe punishment" for operating TV satellite equipment without authorisation, telecommunications officials said yesterday.

The Beijing Hilton and the China Resources Hotel have both been found to have illegally installed and used satellite facilities, and will "both meet severe punishment very soon", the Xinhua news agency quoted one official as saying.

Mr Palle Jensen, the Hilton's acting general manager, said he was mystified by the decision, which resulted from an investigation at the hotel on Wednesday by officials from the municipal bureaux of radio and television, public security and state security.

"We had been given temporary permission to operate the satellite equipment, but now it seems that permission has just been taken away," said Mr Jensen.

Only hotels with three stars or more are allowed to provide guests with satellite programs. The Hilton's application has been under consideration for more than a year, but Mr Jensen said temporary permission to operate a satellite service had been granted on the grounds that the hotel was almost certain to receive a five-star rating. *AFP, Beijing*

Asian growth rates set to slip, says development bank

By Edward Luce in Manila

Asia's rapid economic growth is expected to drop slightly in 1996 but the region will continue to outstrip growth rates in the rest of the world, according to a report published by the Asian Development Bank yesterday.

The bank's annual Asian Development Outlook says the mild slowdown from an average 7.9 per cent in 1995 to 7.1 per cent in 1996 and 7.3 per cent next year will be mostly accounted for by the steady deceleration of growth in Hong Kong, Singapore, Taiwan and South Korea.

Growth in the four newly industrialising economies (NIEs) will slow gradually from 7.6 per cent last year to 6.7 per cent in 1996 and 6.4 per cent in 1997, owing to their increasingly mature economic development.

Growing labour constraints in the NIEs, coupled with widening current account surpluses, will further strengthen the trend towards outsourcing of manufacturing investments to other parts of the region.

Efficient recycling of these surpluses will help lower inflation from 4.8 to 4.5 per cent in 1996, the report predicts.

A large share of NIE foreign investment would be channelled towards south-east Asian countries such as Malaysia, Thailand, Indonesia, the Philippines and Vietnam, where average growth is expected to drop slightly from 7.9 to 7.8 per cent this year and 7.6 per cent in 1997.

The report warns that widening current account deficits in Thailand, Indonesia and Malaysia, which saw its current account gap leap from 5.9 per cent of gross domestic product in 1994 to 8.9 per cent last year, must be counterbalanced by prudent management.

Though largely accounted for by capital goods imports for infrastructure development rather than higher domestic consumption, higher capital inflows to the leading south-east Asian economies pose the threat of greater currency instability and higher inflation. "This adverse trend in the composition of capital inflows needs to be arrested," the report warns.

Conversely, the report applauds China for successfully applying the monetary brakes last year to rein back the threat of inflation, now predicted to drop to 10 per cent in 1996 from 21.4 per cent in 1994.

Beijing's mildly contractionary stance would slow GDP growth in 1995 from 10.2 to 8 per cent this year.

The report says, however, that failure to tackle the growing indebtedness of state-owned enterprises in China could lead to the resurgence of inflationary pressures.

Chinese growth is expected to pick up again to 9 per cent in 1997.

The deceleration in China and the more advanced economies of east and south-east Asia would be partly offset by higher growth rates in the Indian subcontinent as the newly liberalised countries attract more foreign direct investment.

Average growth in India, Pakistan, Bangladesh, Sri Lanka, Nepal and Bhutan will rise from 5.8 per cent last year to 6 per cent in 1996 and 6.4 per cent in 1997.

The ADB says the subcontinental economies must boost low domestic savings rates and increase spending on infrastructure if they are to emulate growth rates elsewhere in the region. From 7 per cent in Bangladesh to 23 per cent in India, subcontinental savings rates are far below levels in east Asia.

The report cautions India and Pakistan to check rising external debt levels, which last year reached debt service ratios of 27 and 33 per cent respectively.

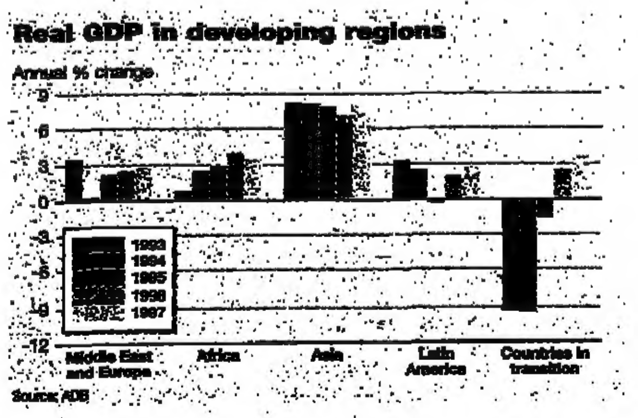
Mr Vishvanath Desai, the ADB's chief economist, said in Hong Kong yesterday that the Asia Pacific's impressive performance was due to the region's growing openness and economic integration.

Regional agreements to reduce trade barriers were vital to the continuation of Asia's rapid economic expansion, he added.

India Survey, Pages 29-33

Real GDP in developing regions

Annual % change



Source: ADB

Bank reveals it is target of bomb campaign

By Stewart Dalby and John Mason in London

Barclays Bank staff severely criticised senior management yesterday for not giving them sufficient warning of a 15-month letter-bomb campaign against the bank.

The bank yesterday rejected allegations from Unifi, the banking union, that it had given its 64,300 staff grossly inadequate warnings about vigilance.

The bank said that, on police advice, it had made only a small nucleus of staff specifically aware of the serial bombings of 25 branches by an unknown terrorist calling himself Mardi Gra, which came to light earlier this week. He had demanded Barclays set up a special system to allow him to withdraw millions of pounds undetected.

There have been no deaths or serious injuries from the parcels, although a woman in a north London branch received burns when opening a Christmas package. However, police fear that the bombs so far have been "frighteners" and that the bomber might be planning more dangerous devices.

The bank said the person responsible for the bombings was likely to be a disgruntled customer rather than a former employee, as had been suggested by the police.

The official, who asked not to be named, said: "We have made a lot of people redundant, it is true, but most of these left voluntarily. I would think the bomber is more likely to be a bitter former customer – a small businessman or something."

On the issue of staff safety Mr Michael Pitcher, director of operations of Barclays UK, said: "Since the bombings started in December 1994 we have given general but appropriate warnings about vigilance. On one occasion before Christmas in December 1994 we told all staff not to open any letters at all, although this was a temporary measure." He said the police wanted to keep the operation low-key, in hopes that "the bomber could be lured into tripping himself up."

The assurances failed to satisfy Unifi, which represents two-thirds of Barclays staff. It accused Barclays of "completely irrational secrecy". Mr Paul Snowball, the Unifi general secretary, said the low profile of the bank's warnings meant staff thought they were purely routine. "The proof has been in the hundreds if not thousands of calls the union has received from bank employees who are terrified for their safety," he said.

When Mardi Gra started his operations he instructed police and the bank to communicate with him through coded messages in the personal columns of the Daily Telegraph. After bank and police messages failed to elicit a response, the bomber last week broke cover by writing to the Daily Mail.

In a letter he wrote: "Mardi Gra is the codename of a small group of Barclays bank victims who are in the process of reversing the tide of fortune into their favour. We are amazed that a bank or company appears to be able not to care who gets injured and get the police to keep quiet about it."

Carmakers are warned of resistance by consumers

By John Griffiths in London

Relative prices of cars in UK and US

Model	US price £	UK price £
Hyundai Accent	5,257	8,999
Ford Contour/Mondeo 2.0	8,987	13,185
Honda Accord 2.0	9,845	14,405
Ford Probe 16V	9,082	17,165
VW Jetta/2.0GL	9,291	14,980
Mazda MX-5 1.8iS	11,667	17,595
Honda Prelude 2.3	13,137	20,895
Saab 900S 2.3 3-door	15,644	17,995
BMW 318i	16,891	17,220
Audi A4 2.8/2.6	17,278	22,115
Volvo 850 [illegible]	17,881	22,300
Mercedes C220 Elegance	20,179	26,000
Lexus LS400	34,490	45,995
Honda/Acura NSX	54,116	68,245

Exchange rate: 0.652 Source: Road & Track 96 Buyers Guide, Complete Car

The traditional link between economic recovery and rising sales of new cars may have snapped, leaving carmakers facing an indefinite future of stagnant or even declining sales, warn the authors of a new study.

A combination of economic, social and political changes may be "fundamentally transforming the market", says the study by the Centre of Automotive Industry Research at Cardiff Business School. One of the authors, Professor Garel Rhys, is also the House of Commons industry committee's adviser on motor industry affairs.

In an analysis for Sewells International, the market monitoring group, the academics warn that the UK and other European markets are saturated "to such an extent that the level of new car registrations growth of the 1980s – when car sales soared from 1.47m units to a peak of 2.3m in 1989 – will never appear again."

The academics cite a number of factors which they suggest may be responsible for the UK and other European countries entering an era of what they describe as "car-less growth".

Lack of confidence among consumers fearful for their jobs and unnerved by falling house prices – often presented by carmakers as the main reason for weak sales to private motorists – is a valid, but only partial, explanation, the academics argue. The UK car market is also distorted by a very high proportion of company car purchases, which has left private buyers resentful of high prices and high depreciation.

But subsidised company car ownership is not sustainable in the longer term, say the academics. As the company car market becomes reduced to essential users only, so remaining new car buyers will become even more price-sensitive. "In addition, the decline in company car purchases will contribute to a general downsizing and less of a willingness to pay a premium for a prestige badge."

A shift in disposable income towards older buyers, with other priorities than buying new cars, was also a factor. Not least, changing social attitudes towards the car meant that it had lost its once strong aspirational appeal; while the fragmentation of households as a result of a rising divorce rate and other social change were rendering "the family car an object of declining relevance".

The academics produce statistics showing Britons and other Europeans typically paying 30 per cent more for their cars than Americans and argue that excessively high prices – due partly to equipment levels superfluous to most car buyers' needs – are also playing their part in market stagnation.

Not least, they cite the car's declining efficiency as a mode of transport: "There appears to be a transformation under way from actively desiring car ownership to one of ownership under sufferance in the face of myriad difficulties."

Japanese brands win top rankings

Japanese carmakers and their dealers continue to deliver levels of customer satisfaction that their British and other rivals "singularly fail to match", the third annual survey of car satisfaction in the UK by the US marketing information company, JD Power and Associates, has concluded, John Griffiths writes.

Japanese vehicles took all top ten places in the survey's ranking of more than 70 cars on aspects of ownership such as quality of construction and reliability, while only two European companies – Volkswagen's Skoda subsidiary and BMW – made it into the "top ten" list of the companies with which consumers felt most overall satisfaction.

While relatively new to Europe, JD Powers' similar surveys of the North American market are treated with a mixture of fear and reverence by manufacturers and dealers, and are acknowledged to have a significant effect on buying patterns.

The Toyota Corolla was the individual car scoring highest on the UK satisfaction index, followed by the Honda Civic, and Toyota Corona.

The top ten company rankings were: 1, Honda; 2, Toyota; 3, Mazda; 4, Subaru; 5, Daihatsu; 6, Mitsubishi; 7, Skoda; 8, Proton; 9, BMW; 10, Nissan.

The UK survey was based on responses from 14,000 owners of 1993-94 cars.

UK NEWS DIGEST

Alvis joins bid for army order

Alvis, the UK military vehicles company, has joined a consortium to bid for the £3bn ($4.6bn) Anglo-Franco-German "battlefield taxi" programme. Other members of the consortium are Vickers, the UK defence and engineering group, and Thyssen, the German engineering company. They will compete against an alliance of engineering groups – GKN of the UK, and Krauss Maffei, MaK/Rheinmetall and Wegmann of Germany – which was announced last week, for the Anglo-German portion of the project.

Vickers and Thyssen originally joined forces to bid for the next generation of armoured personnel carrier earlier this year. Alvis, as the third and smallest UK armoured vehicle maker, was not thought to be capable of making a successful solo bid and so has joined the Vickers-Thyssen team. Whichever consortium wins will link with Giat of France to produce a family of armoured troop carriers for the three nations which is due to go into production early next century. The winner of the competition should be known in the summer of next year, with a production contract awarded a year later.

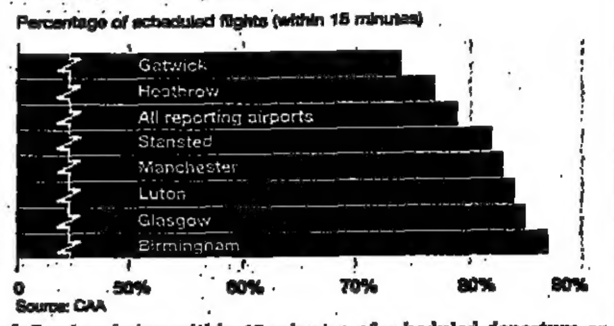
Bernard Gray, Defence Correspondent

Airline timekeeping worsens

The punctuality record of airlines operating at UK airports deteriorated last year, but is still far better than it was in the early 1990s. Figures from the Department of Transport showed that 79 per cent of scheduled flights were on time last year at seven of the UK's most important airports. "On time" is

Taking off on time

Percentage of scheduled flights (within 15 minutes)



Source: CAA

defined as being within 15 minutes of scheduled departure or arrival time. The punctuality figure was lower than the 81 per cent recorded in 1994 and 1993 but better than the 70 per cent achieved in 1990. London's Gatwick had the worst record for punctuality last year, with 74 per cent of scheduled flights on time. Birmingham had the best punctuality record, with 87 per cent of flights on time.

Charter passengers fared worse. Only 53 per cent of charter flights were on time at the seven airports last year – a slight improvement on the 50 per cent figure in 1994 and 45 per cent in 1990. London Gatwick had the worst record for charter punctuality too with only 46 per cent of flights on time last year. Birmingham and Luton had the best records.

Michael Skapinker, Aerospace Correspondent

Ostrich sales charted

Investors were buying ostriches at the rate of nearly 500 a week – most of them for £14,000 ($21,250) each – in the period just before Britain's Department of Trade and Industry moved to wind up Ostrich Farming Corporation. More than two thirds of OFC's sales, moreover, took place after the DTI began its secret investigation of the company in November. By March 7, the date of the latest ownership certificate known so far to the Financial Times, OFC had sold more than 3,630 ostriches, up from about 3,150 only nine days previously. In early December, only 1,200 had been sold.

Other investors, meanwhile, have not received certificates two months after their cheques were cashed. Two Nottingham men who together paid £56,000 in February for four mature breeding hens have not received their certificates. OFC, which "guaranteed" investors annual returns of more than 51 per cent, is being investigated by Britain's Serious Fraud Office.

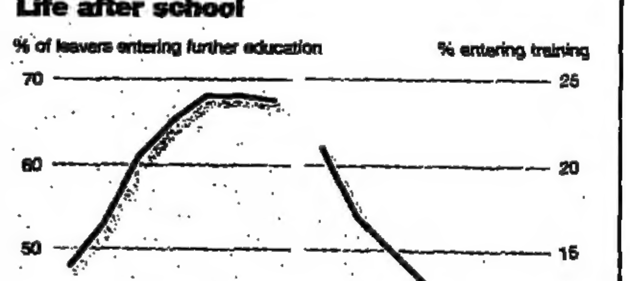
Clay Harris, London

Education loses popularity

The proportion of 16-year-olds choosing to stay on in education fell last year for the first time in a decade, according to a report published today by the careers services.

Youth unemployment increased, while the various alternatives for training in the workplace dropped in popularity. The

Life after school



Source: UK Heads of Careers Services Association

reverse followed several years of steady improvement and suggests it will be harder to meet the government's ambitious targets for education and training by the end of the decade. The figures also follow radical expansion of further and higher education.

John Authers, Public Policy Staff

House prices up sharply

A sharp increase in UK house prices has pushed the number of households in negative equity below 1m for the first time since 1992 and raised hopes of a sustained housing market recovery. House prices increased by a seasonally adjusted 1.2 per cent in March following a 1 per cent advance in February, says Halifax Building Society, the UK's largest mortgage lender. House prices increased in nine out of 12 UK regions. UBS, the investment bank, estimated that the number of households with mortgages worth more than the value of their homes declined by 280,000 in the first quarter.

Simon London and Stefan Wagstyl

Lex, Page 20

'Some of the old distinctions have frankly become meaningless'

Labour leader shreds party dogma

By Robert Peston in New York, and John Kampfner in London

Mr Tony Blair, leader of the opposition Labour party, yesterday made an audacious bid for the centre ground of British politics in a speech which discarded much of his party's traditional economic approach and ideology.

Proclaiming that a Labour government would be "of the radical centre" – and pointedly not of the left – he said that "some of the old distinctions between left and right have frankly become meaningless".

Speaking to the British American Chamber of Commerce in New York, he said the era of "all encompassing ideologies in battle to the death" was over. However his remarks are bound to inflame leftwingers in his own party.

The Labour leader attempted to address many of the concerns of the business community and insisted that a Labour government would not try to run companies but wanted to help them "succeed".

On ties with Washington, he saw Britain's role as "absolutely crucial" in helping to "strengthen and consolidate the relationship between the US and Europe". It was "absurd to imagine that for Britain there is a choice to be made" between links with Europe or with the US.

Mr Blair acknowledged that much of industry believes there is "too much inflexibility in the labour markets and social security systems" of many European countries.

However, in spite of Labour's commitment to enforce the social chapter of the European Union's *Maastricht* Treaty, it was "not our policy to import those rigidities and costs into Britain". There was "no question" of "trying to impose a German-style social security system in Britain through the Social Chapter".

Mr Blair was scornful of "people on the left" who have "almost seen high tax as a virility symbol". The top priority was to "lower taxes at the bottom end and reduce the high marginal rates of tax millions of working people pay".

The Labour leader criticised existing UK tax thresholds which meant that school teachers and middle managers paid the top 40 per cent rate.

Mr John Major, the prime minister, sought to counter Mr Blair's overtures to the US business and political establishment by warning that a Labour government and high taxation were inextricably linked.

"The reality is the Labour party always wants to spend more money and you can't spend more money unless you're going to put up taxes to pay for it," said Mr Major during a visit to eastern England.

"This seems to me to be another indication that the Labour party will say almost anything if they think it will win them some temporary support. But I don't believe he is in favour of tax-cutting, I don't believe he could deliver tax-cutting, his party couldn't deliver tax-cutting and it is against the instinct of the Labour Party," he said.

US bankers provide tough grilling

By Robert Peston in New York

It is 7.15am New York time on Thursday. Tony Blair – looking slightly tense, the smile slightly forced – is talking to America on coast to coast television. Labour has changed, he says. Drop whatever preconceptions you have. We are modern; we love business.

The mini-US tour by the leader of Britain's opposition Labour party is all about one thing: proving his economic credibility to US investors and businessmen.

Naturally he also wants to cut a swagger with the US political establishment and senior diplomats as the UK's premier-in-waiting. But his clout, as leader of the opposition from a relatively uninfluential country, is strictly limited.

His itinerary is ritzy enough: tea with Boutros Boutros Ghali, the UN secretary general; breakfast with Henry Kissinger, the former US secretary of state; dinner at the British embassy with, among others, the retired General Colin Powell; a White House rendezvous with President Clinton and other senior members of the administration.

But Mr Blair does not hide the fact that these are not the most important engagements. The main events have been a speech to the UK-US chamber of commerce, a seminar with international bankers and fund managers organised by BZW, the UK investment bank, and a *tête à tête* with Mr George Soros, the investor seen as Mephistopheles by some, guru by others.

The BZW seminar on Wednesday night was preceded by Mr Blair's promises, so familiar in Britain, of fiscal rectitude, monetary stringency and trading liberalism. The audience of middle-ranking Wall Street executives – the only "names" present were Mr Deryck Maughan of Salomon Brothers and Mr Roberto Mendoza of J.P. Morgan – nodded appreciatively.

They then put some surprisingly detailed questions. Would Labour extend its proposed windfall tax on utilities to the banks? Would it renationalise Railtrack? Would it join a European single currency? The respective and predictable answers were "no", "no hum" and "if it is in the country's economic interest".

The bankers seemed moderately impressed. "If he can deliver what he says, the risks for us of a Labour government do not seem huge", said one of them. Their main fear was that he would be blown off course by a resurgent Labour left – and that is an anxiety which Mr Blair will never be able to dispel effectively until he has the reins of power.

Elected mayor proposed for London

Financial Times Reporters

London's last overall municipal authority, the Greater London Council, was abolished 10 years ago. But if the opposition Labour party wins the next general election, a revamped version is likely to be established within a few years.

The party has launched a consultation paper on its plans for a new Greater London authority. Linked to this, Mr Tony Blair, the Labour leader, believes an executive mayor would give London a "voice" and could be a catalyst for development, citing the experience of Paris and New York.

For the UK, with no tradition of directly elected government leaders, this would be a radical departure. The current Lord Mayor is appointed only for the City.

An elected mayor for the whole of London could easily become the second most prominent national politician after the prime minister. Labour envisages an authority which would have responsibility for economic development, transport, health, police and fire services.

However, Mr Tony Travers, director of the Greater London group at the London School of Economics, pointed out: "It will be able to do very little without treading on the toes of Whitehall or the boroughs."

Other countries take such overlapping functions for granted – notably the US, where big cities are in the grip of a plethora of municipal, state and federal authorities. But the UK, with its tradition of strong central government, has never been good at devolution – hence the abolition of the GLC in the first place.

Editorial comment, Page 19

Minister wary of aiding slaughterhouses

The government appears ready to allow some of the UK's slaughterhouses and meat processing plants to go out of business as a result of the crisis over bovine spongiform encephalopathy. Deborah Hargreaves and George Parker write.

Abattoirs want the British government to compensate them for unsaleable stocks worth more than £70m ($106m) which they are carrying as a result of a collapse in the UK beef market. But Mr Douglas Hogg, agriculture minister, is anxious that financial help to the industry does not prop up businesses that were uneconomic before the "mad cow" crisis.

Ministry officials believe there was already a 40 per cent surplus capacity in the abattoir sector, and that the industry was in poor shape. Any aid programme would have to be justified to parliament.

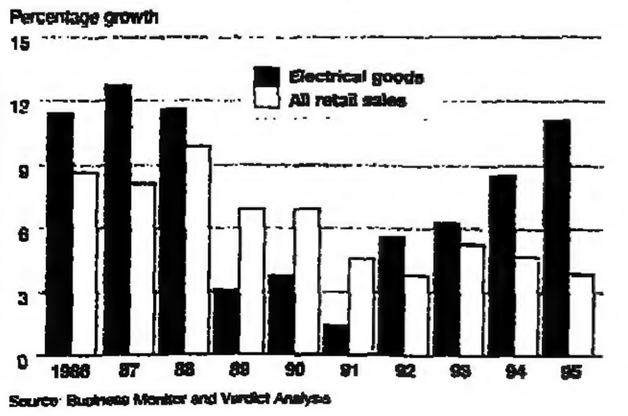
Coopers & Lybrand, the accountancy firm, is due to hand a report to the government today quantifying the crisis faced by the slaughterhouse industry with advice on how to solve its problems. "There is a lot of financial pain being suffered by the industry and it is clear there is overcapacity," said Mr Linton Barker, a partner at Coopers & Lybrand.

The Meat and Livestock Commission, the industry body, had tabled a rationalisation plan before the "mad cow" crisis. "Commercial forces mean there will be rationalisation in the abattoir sector, but it desperately needs help to recover or farmers may find there is no slaughterhouse industry left," said Mr Martin Palmer, head of industry strategy at the MLC.

Overcapacity signals further shake-up in electrical retailing

Spending on electrical goods

Percentage growth



Source: Business Monitor and Verdict Analysis

By Peggy Hollinger in London

The electrical retailing sector, which has seen several participants pull out over the last year amid severe competition, could face another bloodletting with margins set for further pressure and an all-out price war in the offing.

Verdict, the retail consultants, are publishing a report on the sector which claims that the highly competitive market has yet to produce the kind of shake-out it needs.

Although electrical goods retailing remains one of the most buoyant areas of consumer spending in Britain, increasing by 11 per cent last year, overcapacity has left margins "wafer-thin", Verdict says. Returns are expected to come under further pressure as regulatory authorities push for lower returns on warranties and banks and financial service groups are attracted to the market. Verdict calculates that warranties can add up to four percentage points to gross profit margin.

Verdict also warns of a potential threat to retailers from Dixons, the market leader. In spite of the competitive market, Verdict says there is a "remarkable degree of uniformity of prices" among retailers. However, Dixons, which is estimated to have almost 17 per cent of the electricals market, could deal a knock-out blow to its rivals by using its buying power to cut prices, the consultants say. "Few players in the market have the backing to be able to withstand the scale of onslaught which Dixons could mount," the report states.

The fact that Dixons enjoys substantially higher margins than its competitors means it "is probably now in a position to flex its muscles price-wise more than it has been in the past," said Mr Richard Hyman, Verdict's chairman.

The report also notes that although the number of town centre shops has fallen over the past year, following the exodus of seven regional electricity companies and the closure of Rumbelows, actual selling space has risen 10 per cent since 1990, partly due to the shift to out-of-town retailing.

Mr Hyman says the recent decision by United Utilities to sell the Norweb retailing business – which has about 2.5 per cent of the market – poses a big challenge to Comet, the sector's second largest retailer, and its parent, Kingfisher.

If Scottish Power acquired the Norweb business it would overtake Comet, and "be a big dent in Kingfisher's ambitions". But, says Mr Hyman, there are questions over how keen Kingfisher would be to invest in Comet "when it has not really fired on all cylinders for some time".

● Dixons plans to invest £100m ($152m) this year in an expansion programme which will create up to 4,000 jobs over the next two years, Geoff Dyer writes.

The bulk of the money will be spent on expanding Currys stores and PC World, and on refurbishing 100 town centre Dixons shops. The group intends to double PC World to 50 stores. It will also expand the Link, its telecommunications format. Last year capital spending was increased 50 per cent to £90m.

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JOBS: Different approaches to tackling problems and generating ideas

Daydreams working in Wonderland

Remember those lessons during your school days when your mind began drifting away from the subject? The knack was to refocus occasionally on the lesson so that you could appear attentive when challenged. You were instructed constantly to pay attention and anyone caught daydreaming was admonished.

By the time formal education has given way to paid work, our minds have become disciplined to focusing on the task in hand. Concentration is paramount and any other kind of thinking is likely to be dismissed as tangential, diversionary or just plain woolly.

Work is organised around operations, systems and procedures. These are necessary disciplines for output and consistency but do not encourage creativity or problem-solving, qualities that companies are finding increasingly important in their struggle to create new products and services.

The answer may be to introduce a process for producing innovation. Process and innovation seem almost contradictory, yet a business called Synectics, founded by George Prince and Bill Gordon, who cut their consulting teeth with Arthur D Little, has worked for many years on the principle that conditions for innovation can be reproduced in virtually every business environment and can be controlled and channelled towards effective results through a learnable format.

Prince observed that work tends to be governed by concerns for preserving a sense of formality and correctness, accompanied by respect for position and a fear of embarrassment or making mistakes.

In meetings there is a certain form to be observed, a deference to the chairman. In such circumstances, the working relationship is often defined by competitiveness and points-scoring.

But there is a danger that useful contributions and ideas will be stifled because some people are afraid to speak up. Those who do so often find their comments immediately dismissed either by colleagues who are instinctively negative or by a chairman who is uninterested in any idea but his own.

At your next meeting, listen carefully to how many times you hear the phrase "Yes but" as a rejoinder to a remark. You may find yourself saying it, because most of us have become conditioned to listing the reasons against a proposal. The cons tend to be weighed more readily than the pros. This may be regarded by some companies as a cautious and sensible approach, particularly when there are legal implications for a proposal, but if the meeting is specifically designed to generate ideas or solve a particular problem it may not necessarily be the most productive system.

Some companies try to introduce deliberate informality – going away to a country house, having a brainstorming session, kicking ideas around. For advertising agencies and marketing firms, the production of ideas can be almost second nature, but many other businesses find it difficult to let go of formal structures.

The Synectics processes are designed to stimulate and tap into the daydreaming state that was widely suppressed during our school days. Its theory holds that not only is it possible to let the brain wander, but the discoveries of these mental excursions can be introduced into problem-solving sessions, pursuing what some may regard as flights of fancy.

The first thing it advocates is getting rid of the chairman, so the role is effectively split. The ideas session is controlled by a problem-owner and a facilitator. The rest of those present are resources – those who throw in ideas.

The facilitator merely guides the process, like a football referee, while the problem-owner decides which solutions he wants or in which direction the process should head. The various roles are interchangeable should there be several people with problems or issues that need addressing at the same meeting.

While this structure may not, on the face of it, seem particularly remarkable, it does reduce this problem of contributions being disregarded or of the meeting being swamped by the views or prejudices of the chairman. The facilitator can express views only if he hands over the process guidance to another.

So how does the process work? The problem is outlined at the beginning of the session, when contributors are also given an idea of how much power to bring to bear on a solution the problem-owner may have, what has already been tried, and what may be the outcome of the ideal solution. The facilitator sets a time for the meeting and the various processes and accepts and writes down all the ideas on a flip-chart.

The next stage demands that those who are going to contribute ideas begin daydreaming in stages, what Synectics calls "in/out listening", making notes all the while of the ideas generated by daydreaming.

Because of the tendency of people to discount ideas, contributions at conventional meetings tend to be dressed up with a presentational preamble. This is unnecessary when all ideas, however bizarre, are received and noted. Synectics refers to this early process of generating options as springboarding – the introduction of related ideas that have a problem-solving focus preceded by the phrases "How to", "I wish" or "I need a way".

When the exercise was used by Synectics at a recent session with a product manager of a large consumer goods group who was seeking ideas for improving quality control among suppliers, the springboarding ideas ranged from "How to make a river flow through the business" to "I wish I was Alice in Wonderland".

None of these was refined or discounted at the first stage. Instead, one of the ideas, the most intriguing rather than the most practical one, was used as a platform for further fanciful notions that grew even more ludicrous. The idea, says Synectics, is to create a journey into absurdity, a fog of ideas from which solutions, in time, begin to emerge.

The manager went away with ideas for a system of bells and whistles that introduced some fun into quality control. The whole Synectics process, it should be noted, is fun to do, risking the disapproval of those who do not equate work with enjoyment.

Some of its ideas and observations could be applied quite easily to job interviewing where the same sort of discounting and discouragement can be delivered, often unwittingly, by the interviewer. This can be apparent in body language, such as looking away, in tone of voice, the use of "Yes but", or the destructive posing of a question, as in "Have you really never heard of...?"

George Prince advocates "assuming positive intent" as the response to such discounting. The idea is to meet a piece of criticism with a phrase such as "That is a very different view from mine. I would be interested in exploring where we agree and where we differ."

Another way to be positive might be to say "Yes and" rather than "Yes but". Anyone who has found themselves being challenged by a barrister in the witness box might welcome the disarming nature of such responses. It is rather like Mahatma Gandhi's tactic of lying down in the road in front of horses.

Prince's ideas on conducting meetings have been around for some time. While they have been adopted in some companies, the rigidity of hierarchies has not always worked in their favour. They may find greater recognition today in the newer models of delayered management structures. They buck human nature but if they make people appreciate the way that the contributions of others can so easily be stifled, they could have a place in many areas of enterprise.

● *The Synectics approach is outlined in a book called Innovation & Creativity by Jonne Ceserani and Peter Greatwood, published by Kogan Page, price £12.95.*

Richard Donkin

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- To research and make recommendations on assigned markets, economic sectors and individual stock selection
- To attend company meetings and presentations and to actively contribute to the development of investment strategy

THE REQUIREMENTS

- A graduate with a good honours degree, preferably with some knowledge of accounting and financial analysis
- Strong analytical skills and PC experience
- A demonstrable interest (and ideally some experience) of investment management
- Excellent communication and team skills

Please respond in writing to:
Judi Morris
Sanwa International Plc
City Place House, PO Box 245
55 Basinghall Street, London EC2V 5DJ
Fax: (0171) 330 0556

JAPANESE SPEAKING
Settlements Officer in Luxembourg

A Luxembourg based leading international bank has an immediate vacancy for a Settlements Officer.

The Officer will be based in Luxembourg and be responsible for Bond and Equity settlements and accounting functions for fund administration.

Knowledge and experience required:

- over 5 years in settlements and/or accounting in fund administration
- fluency in Japanese and English is essential
- fluency in French is recommended
- good contact skills
- team builder

a competitive salary and benefits package is negotiable according to experience.

Please contact Ms Kuniko Kamioka in confidence on:
Tel: 0171 489 8141. Fax: 0171 236 5785

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Aldermary House, 10-15 Queen Street, London EC4N 1TX

INTERNATIONAL MANAGEMENT CONSULTANCY

Prestigious international economic reform consultancy which works with political leaders throughout the world to implement innovative reforms, is seeking bright, motivated 25-35 year olds with management and/or management consultancy experience to work in fields of privatization, enterprise restructuring, and other market economic reform areas. Interest in political economy essential.

Please send your c.v., with covering letter explaining your long-term career plans, to Adam Smith Institute International Division, 22 Albert Embankment, London SE1 7TE
Fax: 0171 793 0090

APPOINTMENTS WANTED

Management Consultant
MSc (Engin.), MBA, 32, Manager in a consultancy, German, worked 3 years in France, fluent English, French, German, some Spanish and Russian, based in London, relocation considered, seeking new challenge.
Please write to PO Box AS312, Financial Times, One Southwark Bridge, London SE1 9HL

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Experienced 30s graduate with city career. First class academic background. Six years' trading. Adept technical analyst. Computer literate.
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Now Stockbroker planned Summer/Autumn 1996. Interviewing for remaining key positions. (1). M.D. (2). Admin. Manager. (positions could be combined). (3). Registered Representatives (with clients). This is an excellent ground floor opportunity. Applications with CV in confidence to: Mr John Rowe, 80 Fleet St, London EC4Y 1EL

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Andrew Skarzynski on +44 0171 873 4054
Toby Finden-Crofts on +44 0171 873 3456

ACCOUNTANCY APPOINTMENTS

EUROPEAN CONTROLLER

THAMES VALLEY £45-50K PACKAGE

This Fortune 500 US multinational is a world leader in self adhesive materials and office products. The corporation has a well established base in several business sectors, with operations throughout Western Europe and a European turnover of $1Bn.

In line with centralising certain key functions in the UK, there is now a need to recruit a European Controller. The key objective is to provide a technical accounting and internal controls framework, whilst also providing support to the European Tax and Treasury operations.

Reporting to the Vice President Europe and the Corporate Controller, the role is highly visible requiring extensive liaison with senior finance managers across Europe. The key responsibilities will be:

- to ensure Europe-wide reporting integrity and effective, efficient operation of procedures and controls in a fluid, matrix environment
- supervise the European consolidation and treasury accounting areas (some 4 staff), interfacing with corporate accounting in the US
- to have ownership of implementation of accounting policies and liaison with external auditors
- to drive forward new installations of financial systems, primarily CODA, ensuring integrity of systems interfaces across Europe.

The successful candidate, aged probably in their mid to late 30's, will:

- possess a professional accounting qualification preferably ACA, big 6 gained
- have relevant experience within a Fortune 500 organisation
- possess language ability (ideally French and German) and be willing to travel
- have excellent communication skills and be energetic, self motivated and team orientated.

Interested candidates who feel their experience matches our requirements should forward a detailed CV stating current salary package to **Andrea Black, at Robert Walters Associates, 42 Thames Street, Windsor, Berkshire, SL4 1PR. Fax: 01753 678908.**

ROBERT WALTERS ASSOCIATES

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VICTORIA

Financial Controller

C£35K PLUS BENEFITS

Our client, as part of a prestigious international group provides contract management services to the public sector. Changes in governmental legislation has created opportunities for significant growth in this market. Due to internal reorganisation, they now require an enthusiastic and forward-thinking financial manager to lead the finance function. The company offers significant opportunities for career advancement.

Reporting directly to the UK Board, you will be a qualified accountant and have had at least two years' post qualification financial management experience and a proven track record of working within a service or contract based environment. A practical and thorough understanding of computerised contract and management information systems is highly desirable, as is a basic proficiency in French. The ability to interact effectively at all levels is a pre-requisite.

If you believe you have the drive and ambition to succeed within this expanding and challenging environment, then please write explaining how you meet the above criteria, including full personal and career details to, Suzanne Dobinson, Management Consultancy Division, Robson Rhodes, 186 City Road, London EC1V 2NU.

ROBSON RHODES
Chartered Accountants

RSM
International

EUROPEAN ACCOUNTING MANAGER

Dynamic Growth Environment

Berkshire

c£40,000, Car

Our client is a major force in its industry and as a result of its unique approach has enjoyed rapid growth to date. As part of aggressive growth plans this exciting but challenging role has arisen.

Reporting to the European Finance Director you will:

- Be responsible for the month-end close and all aspects of year-end statutory reporting.
- Review local statutory requirements throughout the European operating companies and liaise with external advisers on tax related issues.
- Develop and control multi-currency cashflow management, an essential area for future European growth.
- Ensure that the Finance area and its staff are developed to support the company's expansion.

To respond to the demands of this environment and its growth plans you must demonstrate stamina, flexibility and constant drive. You will be a Qualified Accountant (most likely an ACA) with a high level of technical knowledge and previous experience of external reporting. You must be able to apply your skills in a fast-moving, commercial environment and have the enquiring mind necessary to uncover the financial issues which will undoubtedly arise from the company's growth. An ability to think quickly and respond decisively is essential. Good leadership skills are vital.

Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HKW/1991/FT.

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION
THE PSD GROUP

FINANCE DIRECTOR

Major Growth and Development

East Midlands

£60 - 70,000 pa
Car, Bonus

Our client, a well-known name in its field within fmcg, has recently undergone significant change and restructuring, is growing strongly from organic activity, and plans acquisitions.

A key role in this will be the Finance Director responsible for one of its divisions (turnover c£250m). Specifically you will:

- Lead the planning and control activity for this division.
- Assist in the identification, evaluation and delivery of acquisitions and subsequently their integration.
- With the Managing Director, take an active part in the management of the five operating companies within the division.
- Provide commercial and financial analysis and advice on all business plans and development, including supplier negotiations.

Success in this position is dependent on a high level of business and personal maturity, supported by a strong financial background (ideally obtained at both group and operational levels, but essentially in the latter).

Commercial credibility and the ability to build effective relationships across all levels and functions, particularly on a geographically remote basis, are essential qualities. Experience of fmcg, preferably in an international environment, is highly desirable. Flexibility in this environment of growth is vital.

Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HKW/1762/FT.

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION
THE PSD GROUP

A WORLD OF OPPORTUNITY

The International Banking and Commercial Divisions of Harrison Willis currently have a significant number of vacancies for finance, operations and accounting staff at all levels. Below is a selection of our most urgent vacancies. Alternatively, we are happy to discuss your specific career requirements and forthcoming vacancies on a confidential basis.

FRANKFURT

CONTROLLER/BACK OFFICE c.100-110,000 DM
European Bank. Recently qualified accountant with an understanding of investment banking, to assume responsibility for financial accounting, liaison with traders and the Central bank. Conversational German essential. Ref: LV315.

RISK CONTROL/ASSISTANT MANAGER c.110,000 DM
US Investment House. Opportunity for someone with a mathematical background and systems knowledge to implement new regulations (new European law), preferable fluent German and experience in the analysis of risk. Ref: LV316.

CONTROLLER/REGULATORY c.100-150,000 DM
Leading Investment Bank. Opportunities for both experienced and newly qualified accountants with regulatory experience. Liaison with the Central Bank and with departments in the Bank to ensure that all financial requirements are fulfilled. Conversational German is essential. Ref: LV317.

SENIOR BUSINESS ANALYST To £50k + Generous Benefits
World renowned pharmaceuticals giant seeks commercially astute person for investment analyses and high profile ad hoc project work. Ideally, you will be a qualified accountant or MBA, with strong analytical skills and at least three years' commercial experience in a fast moving environment. Ref: PABPH

OPERATIONAL REVIEW To £45k + Benefits
World leading name in manufacturing seeks two resilient individuals with either fluent German or Italian. With a significant amount of travel, you will have the choice of basing yourself either in Germany or the UK. Ideally, you will be a Top 6 ACA/ACCA or graduate trained CIMA with between three and five years' work experience which involves dealing with operational issues. Ref: PABOB.

ZÜRICH

TREASURY OPERATIONS Negotiable Package
Leading US Investment House. Co-ordination with other offices to enhance cash management. Will suit individual with 2/3 years' currency settlement experience and a clear potential to be a team leader within the organisation. Fluent German is useful. Ref: LV310.

REGULATORY/TAX ACCOUNTANT Negotiable Package
Global Investment House. As part of a small team you will be involved in devising, designing and executing system enhancements. Good opportunity for forward thinking individual with knowledge of the Swiss Banking Regulations and an understanding of Investment Banking. Swiss National/C-Permit required. Ref: LV311.

HONG KONG

PRODUCT CONTROLLER Negotiable Package
US Investment Bank. Exceptional opportunity for qualified accountant with equity derivatives experience to assume responsibility for financial accounting, liaison with traders and analysis of risk. Ref: LV318.

PARIS

ASSISTANT FINANCIAL CONTROLLER c.270,000 FF
Leading advertising agency with a strong reputation for innovation and growth, has an exciting opportunity for a qualified accountant to make a significant contribution in this period of expansion. You will assist in the preparation of statutory and management reports and will be expected to have a strong commercial input. Ideally, you will have a foundation in business French as well as having work experience in France. Ref: 073956.

FINANCIAL CONTROL/ANALYSIS c.220-240,000 FF
Leading Investment Bank. Varied rôle to suit a newly qualified accountant with conversational French. Working closely with the traders, you will be responsible for daily P&L's, analysis of risk and you will be investigating independent markets. Ref: LV312.

LUXEMBOURG

FINANCIAL CONTROLLER c.1,400,000 LFr
UK Investment Bank. Controller's position with involvement and variation. The bank's activities are Global Custody, Capital Markets and Fund Administration. You will be responsible for financial accounting, regulatory reporting and a high percentage of analysis. Conversational French or German required. Ref: LV314.

BERMUDA

SYSTEMS ANALYSIS Tax Free Package
Leading Offshore Bank. Ideal opportunity for a recently qualified accountant with an interest in computerised systems. Involvement in the co-ordination of the GL design across all locations, user training and support. Full relocation package. Ref: LV313.

Please contact Lisanne Vaes (Banking & Finance) or *Paul Blunt* (Commerce & Industry) on *+44 171 629 4463* quoting reference number. Evenings and weekends *+44 973 725 114*, Fax *+44 171 491 4705*. Alternatively, write to: Harrison Willis, Cardinal House, 39/40 Albemarle Street, London W1X 4ND.

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BZW

Senior Manager - Internal Audit

London Based
Global Travel + Excellent Package

BZW is a leading European investment bank operating around the world. We approach every aspect of our work with the highest standards of integrity. To ensure continued growth and an increasing share of global markets, these standards are of paramount importance. Nowhere is this more essential than within BZW's Internal Audit team.

Due to expansion, opportunities now exist for experienced, motivated professionals to join the team. The roles are project based with responsibility for the evaluation and risk review of global business operations in addition to a number of high profile individual reviews. Given the global nature of the Group's activities, some of these assignments will be undertaken in our overseas offices.

Candidates are likely to hold a recognised accounting or other relevant qualification and have a minimum of five years post-qualification experience in securities and/or investment banking. They will be results orientated and possess excellent analytical and presentation skills. They will require both the presence and credibility to deal with senior management.

These are highly visible positions designed as entry points into the BZW business and offer a full understanding of the Group's international and strategic activities. The remuneration is competitive and includes discretionary performance related bonus and car allowance.

Interested applicants should contact Nicola Lewis, our retained consultant at Goodman Masson Shaw, on tel 0171 336 7711 or fax 0171 336 7722. Alternatively, forward a brief resume to Goodman Masson Shaw, Crusader House, 145 - 157 St John Street, London EC1V 4QJ. All direct applications will be forwarded to GMS.

INVESTMENT BANKING. FROM A TO BZW

FINANCIAL CONTROLLER - MOSCOW

We are a successful group of companies operating out of several UK locations. We also have a rapidly expanding representative office in Moscow employing 20 sales and administrative staff of several nationalities.

Due to the success of the operation we need to establish a local financial controller to take responsibility for the local taxation as well as management accounts reporting. The ideal candidate will be a computer literate, qualified accountant with the ability to work on own initiative within a motivated sales led team.

Experience working in a similar overseas situation would be an advantage. This position may appeal to someone looking for a short term overseas contract or to a Russian national looking for permanent employment.

An attractive package will be offered to the right candidate.

Please apply, enclosing a detailed CV to Box A5310, Financial Times, One Southwark Bridge, London SE1 9HL

Appointments Advertising

Every Wednesday & Thursday the Financial Times Appointments pages appear.

Wednesdays section is aimed at the Banking, Finance, IT and General Appointments markets, and Thursdays pages are for Accountancy vacancies. Both days are essential reading for any seriously career minded individuals.

For information on Appointments Advertising please contact:

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Consultores

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Tilulado superior, el candidato justificára de una experiencia financiera de 3 a 5 años adquirida en una empresa internacional (control de gestión, auditoria, contabilidad).

Tras un periodo de formación, se encargará de iniciar, desarollar y gestionar una cartera de clientes para los cuales llevará a cabo misiones de selección de forma completa y autónoma.

Una fuerte personalidad y una gran tenacidad serán necesarias para mantener contactos de alto nivel y evolucionar en una estructura dinámica y exigente.

El dominio del idioma inglés y/o francés es imprescindible.

Enviar CV detallado con salario actual y fotografía a Alexis de Bretteville, Michael Page International, Page House, 39-41 Parker Street, London WC2B 5LH, Gran Bretaña, indicando la ref. ABD10002.

MP

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International Recruitment Consultants

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Corporate Development Manager

International Blue Chip Plc

To £35,000 + Car **North West**

Outstanding opportunity for a first rate Chartered Accountant looking for a move into industry. **Excellent career development prospects within this substantial Group. The chance to join a high calibre business development team, focused on extending the business investment portfolio.**

THE POSITION

- Senior role offering exposure at the highest level. Part of a small and talented team.
- Provide financial advice and support on acquisitions, alliances and joint ventures. Manage post investment implementation, including integration with plc strategy.
- Monitor investment portfolio, set policies and ensure compliance. Coordinate the provision of Group support and the reporting of portfolio results.

QUALIFICATIONS

- Graduate ACA from 'big 6' firm. First rate technical and analytical skills. Computer literate, including spreadsheet modelling.
- Corporate finance experience preferred. Valuation, negotiation and due diligence exposure particularly useful. Commercial acumen essential.
- Confident and ambitious self starter. Outstanding interpersonal and communications skills. Ability to influence at the highest level.

Please send full cv, stating salary, ref MN60402, to NBS, Courthill House, Water Lane, Wilmslow, Cheshire SK9 5AP

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HIGH VOLUME MANUFACTURING

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Midlands **£35,000 + Bonus + Car**

Part of a newly established UK base for a £multi-million International Group, this is a high volume manufacturing company allied to the automotive industry. We currently need to recruit a Financial Manager who will have full responsibility for the company's financial affairs and who will liaise closely with the European Head Office.

Reporting directly to the Managing Director and working closely with the Board, you will be in charge of all aspects of financial and management control of the business and will make a major contribution to the company's *future financial strategy and policy* formation. Since the company plans to double turnover in two years, this is a wonderful opportunity for the right individual.

Aged over 35, computer literate, commercially astute and highly qualified, you will have a financial background in manufacturing, ideally with a company with an annual turnover of £40-£50m. You must possess strong communication and interpersonal skills, be persuasive and convincing, and above all, be ready to take on a strong 'hands-on' role, particularly in management of control of costs.

This is an ideal opportunity for an ambitious candidate with the right qualifications. A progressive and go-ahead company, we offer an excellent overall package and opportunities for further advancement.

To apply, please telephone Kim Luo free of charge on 0800 220501 or write, in confidence, to Pam James, Chesterman Swann & Co Limited, The Steam Mill, Steam Mill Street, Chester, CH3 5AN.

Chesterman
Swann & Co
INTERNATIONAL SEARCH & HUMAN RESOURCE CONSULTANTS

Regional Controller

Central London **c £40,000 + Benefits**

Our client is a newly formed, rapidly expanding, global power company backed by two major energy and construction companies in the US. It specialises in the financing, development, construction and operation of power generation projects on greenfield sites outside North America. Headquartered in Boston with regional offices in London, Miami and Hong Kong it has an impressive portfolio of projects including one in the UK.

The financial control of all projects in the region, encompassing Europe, Africa and the Middle East demands a finance manager of the highest calibre. Interfacing with senior management and external advisers, responsibilities will involve the full range of accounting duties comprising project accounting, statutory and management reporting, budgeting and forecasting, interfacing with banks and co-ordinating project cash uses.

The successful candidate will be a graduate qualified accountant or MBA with at least 3 years post qualification experience preferably in the property or construction sectors. You must have a genuine desire to work in a dynamic, 'hands-on' environment.

Exceptional interpersonal and communication skills combined with a well developed written style are pre-requisites.

Interested candidates should write, enclosing a full curriculum vitae, salary details and a daytime telephone number to Richard Letcher at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH, quoting ref 277855.

MP

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Antisoma

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CHIEF FINANCIAL OFFICER

£ Excellent Package incl. Share Options ***West London***

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We require a high calibre financial professional to be a key member of a small dynamic executive team seeking to take the company towards a successful flotation. You are likely to be currently working in a biopharmaceutical company or have experience of the healthcare industry within a Corporate Finance role in a major city institution.

THE ROLE

- Working with the Chief Executive to -

- Develop effective strategies for successful financings and flotation.
- Manage corporate finance and investor relations activities.
- Introduce effective management information and control systems.
- Identify, negotiate and develop strategic business alliances.
- Create an integrated IT system.

THE REQUIREMENTS

- Finance professional, ACA qualified.
- Entrepreneurial self starter with a "hands-on" style.
- Broad commercial understanding, not just a "numbers" person.
- Previous involvement with/experience of company flotation is essential.
- Highly developed presentation skills.

If you meet the above brief and are interested in joining a company at an exciting stage in its development and offering exceptional prospects, please write enclosing a comprehensive CV to Ian McBeath, Chief Executive, Antisoma, West Africa House, Hanger Lane, Ealing, London W5 3QR

Career orientated ACA's/ACCA's

F.D. Chiltern
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Good "hands-on" commercially aware with LLB and/or contract negotiation skills for subsidiary of a major plc. Excellent prospects.

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Please contact: Nick Stephens at Nicholas Andrews, 126 Colmore Row, Birmingham B3 3AP. Tel: 0121 233 4450

APPOINTMENTS WANTED

SWITZERLAND

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professional with many years varied multi-nationals experience, Swiss & Brit., working German & French desires a challenging position. Would consider project work. Can travel widely from his own Zurich office or relocate

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EUROPEAN FINANCIAL CONTROLLERS

European Locations £Excellent

Our client is a global, market leading organisation within the media and leisure sector enjoying a turnover in excess of £3 billion. Over the past three years the organisation has embarked on a dynamic expansion plan consolidating its position in its traditional US and UK markets whilst expending through Central and Eastern Europe and into the Far East.

As a result of this expansion the need has arisen to recruit three regional Financial Controllers (ACA, CIMA) within Central, Southern and Eastern Europe, in particular France, Poland and Spain.

Taking responsibility for all aspects of financial control and planning within each country, you will play an integral part in the core senior management team facilitating the growth of the business within its new markets.

It is anticipated that you will have the following attributes:

- A committed self starter.
- Strong analytical and planning skills.
- Excellent communication skills.
- A proactive team player.

Languages or a track record in international management would be an advantage. Drive, ambition and an ability to illustrate where you have added value is essential. Progression opportunities are excellent for the right candidates.

Please send a CV to Christopher Cole at FMS
5 Bream's Buildings
Chancery Lane London EC4A 1DY
Tel: 0171-405 4161 Fax: 0171-430 1140
E Mail: 100621.2024@compuserve.com
We have offices in London, Birmingham, Manchester and Lewes

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INVESTOR IN PEOPLE

THE PSD GROUP

THE CAYMAN ISLANDS GOVERNMENT

wishes to recruit

A FINANCIAL LEGISLATION CONSULTANT

Terms of Reference

Review the existing Cayman Islands Public Finance and Audit Law (1985) and the Financial and Stores Regulations (1986).

Consult with appropriate Civil Servants and Government Committees regarding the difficulties encountered with the current Law and Regulations in order to identify particular areas for revision.

Provide drafting instructions for the amendments to the Law and Regulations in consultation with appropriate persons within the Civil Service.

Deliver to the Government an interim written report at the end of 10 weeks to allow time for recommendations to be considered by the Government and for any changes suggested by the Government to be incorporated into the Consultant's report.

Deliver drafting instructions for amendments to the Law and Regulations at the end of 12 weeks. The contract would be for three months, commencing at the beginning of July.

Qualifications

Applicants should have professional qualifications and competence in Accountancy and/or Law. Preference will be given to applicants with experience of public sector reviews, of revising and implementing Public Finance and Audit Laws, and associated Regulations.

Government's Obligations

The Government shall pay the Consultant £15,000 for the three month contractual period. *If the period* is extended, the Government shall pay the sum of £1,250 per week. The Government shall pay expenses at the rate of £1,000 per week and provide Business Class airfares at the beginning and end of the term. The Consultant shall be provided with office accommodation and office services.

Applications

A full curriculum vitae with covering letter should be airmailed to: The Honourable Financial Secretary, Government Administration Building, George Town, Grand Cayman, Cayman Islands. Please mark envelope "Financial Legislation Consultant". Applicants should be received by 3 May 1996.

Coopers & Lybrand | Executive Resourcing

Internal Audit Manager

European Group of Banks

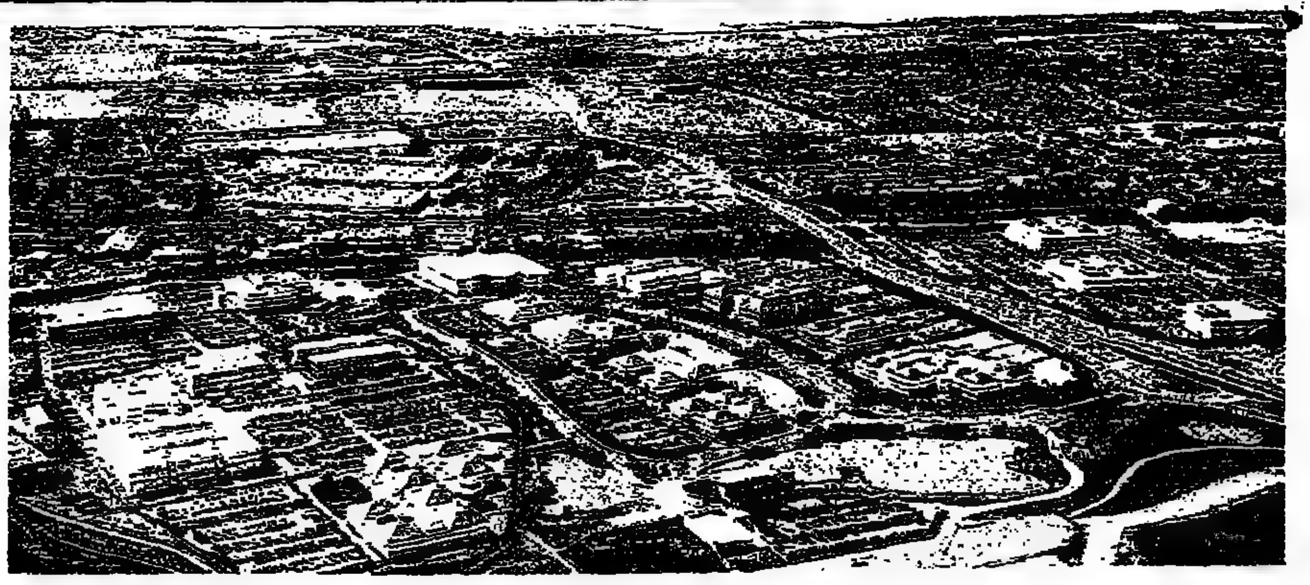
LONDON c £45,000

Audit & Consulting Services SA is the provider of internal audit and related services to a group of banks owned by the interests of the Latsis family. The banks provide a broad range of services to wealthy individuals and their family interests including private banking, investment management, corporate finance, treasury and offshore banking and trusts. Together they have a combined capital base of over $600 million, and assets of over $3 billion.

Part of a growing European team, you will take the lead in managing internal audit for the substantial London operation. Reporting to the, Geneva based, Head of Audit and Consultancy Services you will carry out risk focused audits and work with operational management to design and implement best practice control systems and continually review the control environment. The role is London based, but there will be the opportunity to work for up to 12 weeks each year with colleagues in continental Europe.

Probably a Chartered Accountant you will have at least two years' post qualification experience either within a financial services organisation or providing audit/consultancy services to such clients. We would also be interested to hear from less formally qualified candidates with extensive and particularly relevant experience. In either case you must have experience of treasury audit and there is a strong preference for previous investment management and securities audit experience. Literacy in modern IT systems is a prerequisite. French or Greek language ability would be an advantage. The personal qualities required for success include the presence and communication skills to persuade and influence senior management. High *performers can realistically view this as a stepping off point to* the wider group.

Please send full personal and career details, including current remuneration and daytime telephone number, in confidence to Tim Latham, Coopers & Lybrand Executive Resourcing Ltd, 1 Embankment Place, London WC2N 6NN, quoting reference TL1173 on both envelope and letter.



Before and after: the rubbish tip site on which Stockley Park (today, right) was built. It was opened by Prince Charles in 1986 *Marcus Taylor (left)*

■ **Stockley Park:** by Simon London

Success built on rubbish

As an exclusively office park, it breaks many of the rules laid down by the purists

There are many claimants to the title of the UK's first business park. Grosvenor Estate, which manages the property interests of the Duke of Westminster, started building a mixed-use business park in Gillingham, Kent, in 1978. Arlington Securities started a similar scheme at Marlow, Buckinghamshire, at around the same time.

But there is little debate about which development put US-style business parks on the UK property map: Stockley Park, built on 240 acres of former rubbish tip to the north of Heathrow airport.

The Stockley site was acquired in 1981 by Trust Securities, a small property company which planned to build a fairly conventional mix of light industrial and office space on the site.

The financial and technical problems were formidable, not least because the land was unstable and prone to underground fires. In 1983, control of Trust Securities passed to a powerful consortium including Elliott Bernerd, Lord Rothschild and Stuart Lipton.

It was their decision to create a grand landscaped business park based on high-specification office space.

The concept met with some scepticism in the mainstream commercial property market. It was doubted whether Stockley Park could attract office occupiers to a location hitherto dominated by industrial users.

Indeed, the developers hedged their bets by producing buildings with a quasi-industrial specification. The first Stockley buildings were designed with high ceilings on the first floor which allowed them to be used for high-technology or light assembly.

Other developers have already followed this path. At Marlow, Arlington produced buildings with high eaves, high floor loadings and a relatively small proportion of office space.

But any early doubts about the viability of Stockley Park as an office location proved misplaced. Prestigious tenants such as Glaxo, British Petroleum and EDS signed up in the late 1980s. The final building of the 1.5m sq ft first phase was leased by Tetrapak three years ago. The rental levels achieved at Stockley Park have also exceeded expectations. Initial development appraisals assumed rents of about £8 per sq ft, enough to give the developers a modest profit. By 1986, when Stockley was officially opened by the Prince of Wales, the scheme was achieving £13.50 per sq ft, well in advance of industrial rents in the area.

Today, Stockley Park commands rents of £25 per sq ft or more. Mr Andrew Vander Meersch, chief executive, hopes to achieve £27 per sq ft for the 93.000 sq ft speculative headquarters building which is now taking shape on the site.

On a fine spring day – with the estate's 90,000 daffodils in full bloom – it is easy to see why Stockley Park is popular with tenants.

Yet Stockley also breaks many of the rules laid down by business park purists. It is exclusively an office park and does not boast the mix of uses – such as residential and light industrial – planned for the next generation of business parks.

Mr Vander Meersch points out that Stockley is surrounded on all sides by housing and industrial activity. It is also adjacent to a municipal golf course and country park created by the developers as part of the planning package.

"It gives me great angst when we are described as a business park. The title has been degraded by a lot of low-quality developments. I prefer to think of Stockley Park as an office location in its own right," he says.

The more important debate for Stockley's management is how the park will develop in future and whether it can keep pace with the changing requirements of tenants. After all, the first buildings on the site are now 10 years old.

"Transport is the biggest issue," says Mr Vander Meersch. "Like most business parks, Stockley is a car-based scheme." Big companies are increasingly responding to environmental pressures by demanding public transport options for their staff. Provision of extensive car parking is no longer enough.

With this in mind, Mr Vander Meersch is working on plans for a new station on the main railway line between London and Bristol. In co-operation with other local businesses, Stockley Park is also trying to improve bus links.

Changing architectural tastes are also an issue. Stockley's predominantly white-and-glass buildings have a clinical feel which does not appeal to all tenants. Its new building will be built of stone and wood to add variety to the landscape.

While aesthetics are a question of taste, the first generation of Stockley buildings have stood the test of time in terms of function. Buildings have been successfully re-let as the original tenants move on. Last year, for example, BP let its two buildings on the site to BT.

According to Mr Vander Meersch, this handover emphasised the flexibility of the original designs. BP had filled its buildings with cellular offices. BT was able to convert them to an open-plan lay-out.

Mr Lipton, one of the team which built Stockley Park, believes the basic advantage of business parks will ensure their continued popularity. "Companies want simple buildings at a competitive price. Business parks generally deliver on both counts much better than high street locations," he says.

■ **Investment:** by Simon London

Setting the right standards

Business park enthusiasts hope planning restrictions will raise values

Just like developers and tenants, property investors have to sort genuine business parks from the chaff of out-of-town developments.

The late 1980s saw a proliferation of "business parks" following the relaxation of the government's use classifications which allowed office and light industrial activities to co-exist on the same site.

Five years ago, the Investment Property Databank, which measures the performance of institutionally-owned properties, introduced a separate category of "office parks". But this covers everything from grand landscaped developments from the Stockley Park mould to small sites added as an afterthought to industrial estates.

Strutt & Parker, the chartered surveyors, narrowed down the field last year to produce an index of business park performance. The firm picked less than half by value of the properties categorised by IPD as being on office parks. It included only buildings which were part of a masterplanned, low-density, landscaped developments worthy of the "business park" title.

The results of Strutt & Parker's analysis will have pleased proponents of the business park ideal. Using figures going back to 1986, genuine business parks have significantly outperformed standard office properties and the mass of out-of-town office parks.

In particular, rental values have held up much better than other types of office properties over the last five years. One reason is that tenants have been voting with their feet, exchanging city-centre offices for business park locations.

When the analysis was done last year, the average yield on the Strutt & Parker sample was 7.8 per cent, a full half a percentage point below other types of office property.

This is partly because business parks have appealed to big companies, whose covenants are highly valued. But at the very top end of the market, business park properties appear to have opened up a genuine yield gap with prime town-centre locations.

Properties at Stockley Park and Theale Business Park, near Reading, have changed hands on yields of less than 7 per cent. Even allowing for the quality of the covenants, these were very high prices indeed.

The underlying message is that institutional investors like business park properties and are prepared to pay to get them. The investment market has also matured as more institutional investors have put money into business park property. Some of the buildings at Aztec West, near Bristol, have changed hands four times since the park was started in the early 1980s. Like retail warehouses, business parks are no longer a minority pursuit but a mainstream institutional asset.

Business park enthusiasts hope that tighter government planning restrictions will have the added benefit of making existing business parks a scarce commodity. It will certainly be more difficult to get new planning consents for out-of-town office developments on greenfield sites.

But there are plenty of undeveloped sites which already have planning permission for business parks and plenty more old industrial sites which could lend themselves to a change of use without breaching the spirit of government policy.

While demand for finished buildings is strong, development finance is much more difficult to come by. This is partly because developing a business park demands large speculative investment in infrastructure, such as roads and drainage. "Developers have to put a lot of cash upfront into land assembly, infrastructure and planning gain. Not many of them can stand the pace," says Mr Andy Martin of Strutt & Parker.

Argent sold its interests in Thames Valley Park near Reading to a joint venture with Citibank of the US and Hermes, the telecommunications and post fund manager. The partners are now jointly financing the development of two new buildings.

Doxford International Business Park near Sunderland is being finance by private investors through Enterprise Zone trusts. Akeler Developments, which took over on the 79-acre site in 1992, has raised a total of £67m to finance 415,000 sq ft of office space, more than half of which has been built and let. The vehicle works because Doxford is being built within an Enterprise Zone. Investors get full tax relief on their investment, which is especially attractive to higher-rate taxpayers.

The latest trawl enabled Akeler to raise £27.4m, enough to finance the fourth and fifth phases of the development.

The status of the site also allows Akeler to offer business space on very competitive terms. It is quoting rents of £12.75 per sq ft on the 155,000 sq ft of speculative space now under construction.

The economic arguments have enabled Doxford to attract companies relocating from more expensive regions of the country. London Electricity last year established its national call centre on the site, partly because property costs are considerably lower than around the capital.

Without Enterprise Zone status to fall back on, though, most business park developers are restricted to more conventional forms of finance.

Given the high up-front costs, that means finding plenty of equity capital to support the early speculative stages of development.

PROFILE Arlington Securities

The location is the most important factor

Arlington Securities has built more business parks in the UK than any other company. Yet Mr Patrick Deigman, chief executive, does not believe business parks can be easily defined.

"People say that a true business park has to have everything: industrial buildings, warehousing, offices, high-tech and residential. But we have always argued that people who try and put a definition on business parks are wasting their time," he says.

Aztec West outside Bristol, one of Arlington's successes of the mid-1980s, does have a wide mix of commercial tenants. Bradley Stoke, the nearby housing estate, was regarded by the planning authorities as its residential counterpart. Yet Theale Business Park near Reading, where Arlington has its own headquarters, is exclusively an office park. "The important thing is to take a site and look at the surrounding market," Mr Deigman says. "The only rule is that we locate companies where it makes them more efficient."

The location of a business park is therefore often far more important than the mix of uses it contains. An out-of-town setting and excellent road links are the common factors behind the UK's most successful business parks. It is no coincidence that Theale and Aztec West are at important growth nodes on the M4 motorway.

Arlington has built business parks in most counties in southern England but has steered clear of Norfolk, Suffolk, Kent and Cambridgeshire. All back on to relatively sparsely populated areas which, Mr Deigman says, makes them difficult business park locations.

Other developers disagree. Rouse, the large US property investor, is backing an ambitious 2.8m sq ft mixed-use business park at Kings Hill, Kent, including a university campus and 1,500 homes. Rouse argues that the opening of the channel tunnel makes Kent a strategic location for companies with business interests in continental Europe.

Arlington regarded accountancy firms as archetypal city-centre tenants until KPMG Peat Marwick took space at Theale for its audit staff. The business park market is big enough for developers to aim at different segments. At Theale, Arlington is building 125,000 sq ft of space in units of 15,000 to 20,000 sq ft, suitable for regional offices.

At the nearby Thames Valley Park, Argent, the quoted property company, is building larger units of 75,000 and 50,000 sq ft. Mr Michael Freeman, joint chief executive, says that Argent hopes to attract large occupiers from the computing industry. Microsoft and Oracle are already erecting their main UK headquarters on the site.

> In 1989, Arlington was acquired by BAe for £278m

Whatever their size, most business park tenants move in from the surrounding area. "It is a common misconception that business parks are all about relocation," says Mr Deigman. "Local companies are by far the most important potential market for us."

Arlington was started in the late 1970s by Mr Raymond Mould and Mr Patrick Vaughan, now at the helm of Pillar, the property company which floated on the stock market last year.

In 1989, close to the peak of the market, Arlington was acquired by British Aerospace for £278m. The rationale was that Arlington could add value to BAe's surplus property assets as the company slimmed back its manufacturing operations. While BAe got its timing wrong, there was some sense in the underlying strategy. Seven former BAe sites are now within the Arlington portfolio. Mr Deigman is keen, however, to dispel the impression that Arlington has become a dustbin for British Aerospace's discarded land. He says: "At the end of the day we will have taken only about 1,000 acres out of the BAe land portfolio. If sites do not fit our criteria we do not take them." Some of the former BAe sites hold high promise as business parks. At Hatfield, to the north of London, where BAe had extensive manufacturing operations, Arlington has access to more than 800 acres.

Oxford Business Park, on the site of Rover's former Cowley manufacturing plant, is another example. The 85-acre site has potential for 1.45m sq ft of space, including retail, a hotel and office and industrial units.

Arlington no longer fits with BAe's strategy, centred on its core defence and electronics businesses. But the property company has not been completely starved of cash.

As at Theale, a number of new speculative buildings are under construction. Arlington has a long-standing policy of having at least one empty building available for leasing on each of its sites.

Last year the company acquired its first site since 1987. In a joint venture with Manchester City Council, Arlington plans to develop a 45-acre site at Woodhouse Park, close to the city's airport. The company has recently added a Scottish site to its portfolio, paying £3.8m for 64 acres on the eastern side of Glasgow. The site has potential for 850,000 sq ft of office space.

Mr Deigman argues that business park development should not be cash-consuming. Once a site has been purchased and infrastructure (such as roads and drainage) put in, Arlington aims to recoup its investment by selling land.

Further buildings are developed one at a time, with the profits from each phase financing the next. This phase-by-phase development style helps minimise the downside risk.

Even if Arlington can move forward without consuming a large amount of capital, the narrower focus of BAe's strategy argues for a loosening of the ties between the two companies.

Simon London

■ **Planning policy:** by David Parsley

Planning policy moves in-town

A restrictive climate means that developers must adapt projects to meet new criteria

The government's drive to deregulate planning helped fuel the business park boom of the 1980s. Relatively few restrictions were imposed on out-of-town developments and rule changes made it easier to build office and industrial space on the same sites.

But the planning policy pendulum is swinging against out-of-town development. While proposed shopping centre schemes have suffered most under the new regime, business park developers also have to learn to live in a more restrictive environment.

The main instruments of government policy are planning policy guidance notes (PPGs), which local authorities have to take account of when making local decisions.

The new presumption against out-of-town development has been enshrined in PPG 13, which deals with transport issues, and draft PPG 6, which covers town centres and retail development. While neither guidance note specifically covers business parks, developers cannot pretend that nothing has changed.

Mr John Gummer, the environment secretary, believes the guidance reflects the government's determination to revitalise town centres by encouraging developers to invest in them. This applies not only to shopping centres but also to offices and other businesses such as leisure and higher education. The principle of sustainable development underpins both PPG13 and PPG6. They say land uses generating large traffic movements should be in town centres close to public transport. In other words, they are against car-generating developments such as business parks.

Mr David Barraclough, planning policy officer at the Royal Town Planning Institute, believes that sites close to motorway junctions will no longer be available for business park development if the principles of PPG13 and PPG6 are rigidly applied. He says: "The content of both the guidance notes are known, but what is not known is how the government will apply them. As unitary development plans are reviewed the secretary of state may force local authorities to change them but I do not believe the government is really in the game of revoking existing planning consents."

The biggest apparent set-back for business parks came in 1994, when plans for a 330,000 sq ft headquarters for Lloyd's Register of Shipping, the publishing group, was turned down. A public inquiry found that the 50-acre greenfield site in Liphook, Hampshire, was unsuitable for such a large development. However, it is not clear that the Liphook decision was a blow for business parks per se. The developer still hopes to build up to 100,000 sq ft of office space on the site. The sheer scale of the Lloyd's Register scheme, rather than the principle of out-of-town office development, was the main cause for concern.

The industry remains unsure how PPG13 and draft PPG6 will be implemented. The government has indicated that there is no ban on out-of-town development. But PPG6 does point out that, as with retail, office development must follow a sequential approach. In other words, developers will have to show that there is no suitable town-centre location before they can win approval for an out-of-town business park.

Mr Mike Straw, principal planner at Richard Ellis, the chartered surveyors, sees this move as a step beyond those aimed at preserving the green belt. "Developers now have to satisfy a great number of criteria before being able to get consents for out-of-town office developments," he says. "Town centres have to be considered first and, if that is not possible, then edge-of-town. Out-of-town is the last resort. Business parks are now being put in the same category as retail in having to justify out-of-town locations."

There also appears to be a contradiction between the two guidance notes. PPG13 talks of the need to create a balance between employment and housing, with the emphasis on people living close to their place of work.

But although government policy is encouraging increased residential development in town centres, existing urban locations do not have sufficient capacity to cope with projected demand for housing.

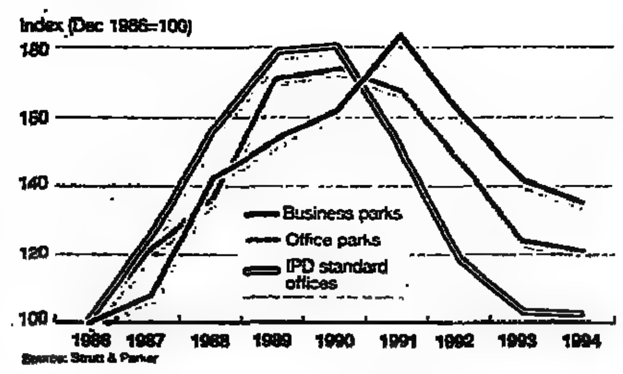
Mixed-use business parks including a high proportion of residential housing and leisure facilities could be one way of solving the problem without generating additional traffic. Indeed, Mr Gummer is known to be enthusiastic about mixed-use development.

Mr Patrick Deigman, chief executive of Arlington Securities, the UK's biggest developer of business parks, is confident his company can work with the new regulations. He agrees, though, that the government needs to do more to show the new rules will be implemented. "It depends on how you interpret the guidance notes," he says "But I see them being good for one main reason. The smaller site developers have been distorting the market for some time and the PPG13 will probably come down hard on them." Of the 1.1m sq m (12m sq ft) of business park planning consents outstanding, Mr Deigman believes only about 25 per cent will ever see the light of day.

"We have been involved with the DoE right through this process so saw what was coming and we prepared for it," he says.

David Parsely is a writer for Property Week

Office rents



A panoramic view of Gillingham Business Park, Kent. Construction of this park, which was claimed as a first, began in 1978 on the site of a 120-acre disused military barracks

Architects are exploiting natural benefits, says **Victoria Griffith**

Companies see the light

When Dirk Lohan, president of architectural firm Lohan Associates, made a pitch for the design of a building for telecommunications group Ameritech Corporation in Chicago, he was told that providing natural light for workers was not a concern of the company.

"I changed their minds, though, by emphasising the efficiency improvements they could get," says Lohan. Today, Ameritech's offices are full of natural light.

US management, long content with keeping subordinates in the dark, is waking up to the advantages of sunlight. Architects are preaching the benefits of light-sensitive design and studies show improvements in employee performance.

Pennsylvania Power & Light says absentee rates plunged 25 per cent after all its employees began enjoying natural light. Workers in one area of Boeing say natural sunlight improved their ability to detect imperfections in jet panels by 20 per cent.

Under the old US design model, executives are allocated offices on a building's outer edge, complete with sunlight and views, whereas clerical workers are relegated to the inner sanctums. One of the greatest benefits of the "corner office", traditionally reserved as a perk for upper management, is its abundance of light. "It is considered an amenity at many companies, along the lines of good health insurance," says Andrew Metter, an architect at A. Epstein and Sons International.

Lighting for all workers has long been a concern in countries such as the Netherlands, Germany and France, where construction codes stipulate the maximum distance a worker can be from a window. Now European companies are exporting their ideas to the United States.

"They don't have to observe the codes they have in their home country over here, but they do because they know how much it improves the work environment," says Reynolds Logan, the architect who oversaw the project for Swissair's sunlit US headquarters.

Commitment to light is so fierce at Dutch food company Quest International that even the bathrooms at its North American offices are illuminated with natural light.

From a design perspective, providing sunlight for employees is not easy. Architects rely on techniques such as glass, ultra-thin buildings, skylights and interior "holes" in the building. The design also needs to fit in with management style.

At Ameritech Lohan placed executive offices in the centre of the edifice, with clerical workers at the outer edges.

To make sure management did not suffer light deprivation, the architect used glass, rather than solid walls, for partitions, and non-executives operated in an open-office plan.

"You have to have an open office, mentally as well as physically, to make this work," says Lohan. "We encountered a lot of resistance from middle management, who didn't like the idea of working in a fish bowl."

While companies say employees seem happier after a switch to natural light, it seems that even clerical workers can get too much of a good thing. "To tell you the truth, it can be hard to see the computer screens on a sunny day," says Maryann Herman, building manager of Safety Kleen, a sanitation company. "Today we have the blinds down."

Richard Donkin reports on the growing costs of providing stress-free relocation packages

A pricey move

Sir Peter Walters, chairman of SmithKline Beecham, believes he has one of the finest businessmen in the world in Jan Leschly, the company's Danish-born chief executive who received £833,000 in relocation expenses to move home from the UK to the US.

The figure was exceptional by any standards – a big slice is understood to have involved the company making good a shortfall between the price he paid for his Buckinghamshire house and the price it fetched at the time of his move – although sums of around £100,000 in relocation expenses are not unusual for top executives when they are asked to move countries.

Besides losses on house price falls, a whole catalogue of smaller costs, often related to a family's creature comforts, frequently adds to the bill.

The most common expatriate moves still involve male executives, and many companies are becoming accustomed to dealing with the concerns of wives and partners. "If a move might be threatened because of the anxieties of a wife, companies will often go out of their way to soothe her worries," says David Deane, a director of Karen Deane Relocations, part of an international relocation network.

The company sometimes provides "professional friends", companions who introduce the wives of expatriate executives to social groups. Some are asked to drive them around until they become familiar with their surroundings. "We also have specialist spouse counsellors whom companies will often pay to help relieve the anxieties of an executive's wife," says Deane.

Tensions caused by dual careers, where one partner is unwilling to sacrifice a career for the sake of the other, is causing many companies to rethink this area of expatriation policy. In a small number of cases, according to Alan Chesters, operations director at ECA International, the human resource information service, companies have compensated individuals for a partner's loss of earnings.

Another expensive relocation item is pets. Kennelling costs in the UK for dogs and cats can be £500 a week for the six months they must remain in quarantine.

"I recall one move where the wife would not come without her pet rabbit. It used to sleep in the bed with the couple. Unfortunately, it munched through some silk curtains which cost £3,000 to replace when they left the rented property," says Deane.

Parrots, he says, can also present problems. One executive's wife insisted on travelling everywhere with her pet parrot on her shoulder until she was forced to break sharply when driving her car, leading to the swift demise of her pet as it crashed into the windscreen.

Black Horse Relocation, one of the UK's biggest providers of relocation management, says it once had to move a whole pond full of koi carp for one executive. John Carolan, its managing director, says: "In one case, we not only had to move a chief executive but also his prize herd of 150 cattle."

Black Horse says that the average cost of moving home in a UK relocation is around £20,000, rising to £25,000 if bridging finance is required. The UK has an £8,000 limit on tax-free relocation expenses which means that employees must often pay tax on some relocation expenses.

Shipping and storage costs can eat up relocation expenses and it is not unknown for employees to take advantage of such services. "I do know of people arranging for colleagues to buy electrical goods such as fridges and getting them to include them with their domestic furniture in the overseas move to the same location," says Deane.

Elisabeth Marx, director of international assessment and consultancy at NB Selection, a recruitment business, says that expatriate moves are becoming so expensive that companies need to think more carefully about their selection procedures to ensure that the moves are successful.

In a recent study she carried out into relocation practices, she found that only 4 per cent of companies interviewed the husband or wife of the executive. About two-thirds of the companies offered "look and see" visits.

"One oil company that did not offer a prior visit told me that, if the employees knew where they were going, they would not take on the job," she says.

Fewer than half the companies offered cultural training but language training was more common, offered by 85 per cent of the employers. Companies, she says, need to accept that expatriate moves involve a big life change with its associated stress.

Marrying these issues with the growing costs involved in providing comparatively stress-free relocation is becoming an increasingly important issue for businesses. In Leschly's move, SmithKline Beecham appears assured that the costs involved were worth every penny.

Ashley Ashwood

SmithKline's Jan Leschly: received £833,000 in relocation expenses to move house

Turning up the volume

Adrian Furnham on motives for business book buying

Academic bookshops, high-street newsagents, even railway bookstands groan under the weight of business books. Twenty years ago they were scarce; now the market is flooded.

With ever more evangelical, or stupid, titles – *The Pursuit of the Wow*, *Power Speak* and *Offensive Marketing* – the writers of business books attempt to lure the manager from his dreary reports to their pages of wit, wisdom and practical help.

Who buys these books? More interesting, why do people from all backgrounds pay between £10 and £40 for a business book? Various surveys provide some clues.

The first motive seems genuine need for help. Faced with seemingly intractable human issues, structural complexity and competitive markets, the desperate manager is hungry for solutions to problems. Good books, many believe, simplify (or even clarify) complex topics and help identify useful suggestions to existing problems.

The second motive is education. People buy books to attempt to keep up to date: to hear what noted authorities are saying; and to expand their non-specialised education and business knowledge base.

They may also attempt to benchmark their own company against accurate reports of other (in)famous companies that failed or remarkable companies that succeeded (at least in the short run).

The third motive appears to be responding to the need for innovation. Many readers hope that new thought processes may be stimulated and new ideas may be injected into the organisation.

Reading for some managers is a mind-stretching business and they believe they use others' ideas and practices for innovation in their own organisations.

A fourth motive may be less noble but is certainly not uncommon. It involves the whole business of impression management. Many read to impress important people in an organisation with their knowledge. Their aim is to acquire, use and understand business vocabulary, a lot of which is either jargon or fashion-sensitive. This may account for the popularity of books which summarise a guru's ideas. A 1,000-word precis of a 100,000-word book will give one the jargon – if not the argument and data to support it.

Many managers' offices are book-free zones. While there may be a couple of conference files – displayed as attendance trophies – the sight of book-lined shelves is a rarity.

Books are not always bought for their objectivity, distinctiveness or veridicality.

An author's credentials (not necessarily to write but to manage), the rationale for writing, the cover and publicity accorded to the book, and its apparent practicality are possibly the main reasons for purchase by this group and possibly also the main reasons why these isolated, but revered, volumes remain unread.

The author is professor of psychology at University College London.

صكتا من الاجل

Salad Days are here again

Antony Thorncroft talks to Julian Slade about the revival of his 1954 musical jeu d'esprit with Kit and the Widow

Summer and sunshine and falling in love: not the latest riff from Snoopy Doggy Dog but the essence of *Salad Days*, Julian Slade's 1954 musical which returns to the West End next Thursday.

Slade hums the line nestling in his easy chair in his Chelsea basement flat, surrounded by theatrical mementoes, his cat, and his grand piano, the piano on which he composed *Salad Days* and around 20 more musicals, many of which have never reached an audience.

"That is what *Salad Days* was all about. Of course it was avant-garde at the time. The two young people are rebellious: they go against their parents' wishes." That a whimsical tale of two upper class Oxford graduates looking after a magical piano for a month should be regarded as challenging would be incomprehensible today.

But the 1950s was another era. Slade's hero was Vivian Ellis and the inspiration for the music in *Salad Days* was Ellis's *Bless the Bride*. Slade, just out of the Cambridge Footlights, wrote it, aged 24, as a summer party piece for the Bristol Old Vic repertory company.

The idea for *Salad Days*, in true theatrical tradition, came from the barmaid. In a scene worthy of *The Good Companions*, the actors were crowded in the theatre's bar thinking up a title for the yet-to-be-written entertainment. "Why not call it *Salad Days*?" said the barmaid, who had been selling programmes for *Antony and Cleopatra* the previous week and had liked the phrase. Working to such a title Slade, and his co-writer Dorothy Reynolds, inevitably came up with a show about youth and romance.

It should have run for three weeks, but audience reaction was so good that Eric Porter, who was in the cast, suggested that the company should persuade any London contacts to see it. Slade knew Michael Codron, who was then working for Jack Hylton. Codron liked it; Hylton liked it; and within three months it had opened at the Vaudeville with the same company and Slade himself playing the piano in the pit. It ran for over five years, for 2,288 performances, a record at the time for any musical, and Slade was made.

Like his contemporary Sandy Wilson, whose *The Boyfriend* arrived in the West End just weeks before *Salad Days*, such success was never to be repeated. Slade will go down in theatrical history as the creator of a *jeu d'esprit*, the last gasp of traditional revue before it was bulldozed into memory by Broadway and musical realism.

Not that Slade has any regrets. A shy, benign man, totally without malice, he agrees "success when young hit the rest of my career" but he does not let it worry him. He has always kept working, and for the last two years has been deeply involved in this new production of *Salad Days*, which returns to the Vaudeville.

To some extent it is a showcase for Kit and the Widow, the musical duo who perform like Flanders & Swan on speed to popular acclaim. In need of a new vehicle for their camp charm, and too busy to write new material, they are consummating a long-time love affair with *Salad Days* by appearing in the revival.

Yet *Salad Days* will not be camped up. It is too impossibly whimsical to be parodied. Critic Harold Hobson described the original production as "bright, gay, effervescent". Rather to Slade's surprise Kit and the Widow, and director Ned Sherrin, are sticking strictly to the original script. The time is obviously right for some gentle escapism.

After *Salad Days* Julian Slade had some success with *Free As Air*, which deserves a serious revival. But the runs got shorter and shorter and *Salad Days*, performed from Finland to Australia, became his regular pay cheque. Slade works on, currently with Kit Hesketh-Harvey. They have almost completed an adaptation of *Dear Brutus*: "I need a peg. I find it terribly difficult to write a one-off song. I hope *Dear Brutus* will be produced one day – the sooner the better".

There are signs of a Slade revival. *Salad Days* is enjoying more exposure – a recent production was set in London Zoo with Jane singing "I sit in the sun" to a grizzly bear – and Slade is increasingly invited to perform a one-man show of his material.

Although his diffident, innocent, other-worldly character might put him at odds with the modern musical he *refuses to criticise*. "Times have changed, although I miss the lightness of touch of a Vivian Ellis or a Noel Coward. The wit and humour are gone".

The sheer tunefulness of *Salad Days*, its light hearted, almost Wodehousian, unreality, have somehow placed it outside of fashion. Created "off the top of our heads" by writers *steeped in nostalgia* for the musical comedies of the pre-war years, it is ageless. Back "for a strictly limited season" it will be fascinating to see what a hard bitten contemporary audience makes of such a *bonne bouche*.

Julian Slade, at home with his musical mementoes

Trevor Humphries

London Theatre

La Dolce Vita

Stage adaptations of films are almost as popular at the moment as film adaptations of Jane Austen. Manchester Royal Exchange's main winter show was *A Night at the Opera*; Theatr Clwyd is selling its forthcoming production of *Double Indemnity* as a version of James M. Cain's novel, but its audience will more readily recall the classic *film noir*; and, in probably the most ambitious translation, the David Glass Ensemble is tackling what it describe as "Fellini's landmark film."

A certain amount of Fellini's vision persists: the company, dressed in elegant monochrome, traverse a stage whose main props are a curved staircase and a quartet of mobile gauze screens through which characters can enter and exit, and one of which even does horizontal service as a bed. *The solo scenes and duets* acknowledge the film's misleading sense of sparseness (although in fact it used more than 800 actors), and Nino Rota's original score forms the backbone of Paul Sand's musical arrangements for a supper-lounge quartet.

However, the sad fact is that Glass and Sand's version is compelling neither as musical theatre nor, really, as theatre. From the opening children's-TV-presenter yell – "Hi! I'm Paparazzo, and this is where I hang out: Via Veneto!" – one gets that sinking feeling, which is borne out over the next two-and-a-half hours. Dialogue and lyrics sound at best like pedestrian translation, at worst crassly generic to music theatre. It is difficult to tell where Rota's music ends and Sand's begins.

As gossip columnist Marcello, Gerard Casey does his best Mastroianni impression; he is moderately comfortable with Marcello's heartlessness and superficial dissatisfaction, but grows overwrought as the journalist's descent into the inferno of fashionable Rome accelerates. Rachel Pittman makes a fine giggling ingénue; Sarah Parish vamps stylishly as the upper-crust Maddalena; and Johnson Willis doubles ably as the sinister Duke and the morose academic Steiner.

But for every touch of charming success, such as the deliberately sloppily-choreographed nightclub chorus line, there is another irritating letdown such as the supposedly big atmospheric number during a pagan ritual in the city's catacombs. The story's parallels with Dante's *Inferno* are brought out, but the correspondences reap no appreciable dramatic effect. It is fitting that we should not really care about this collection of gilded, artificial creatures, but unfortunately we do not particularly care about the show either.

David Glass has been genre-hopping over the last few years, from Gothic melodrama with *Gormenghast* to modern adventure (*The Mosquito Coast*). His scope and ambition are admirable, but are in danger of becoming too often indulged at the expense of his theatrical success rate.

Ian Shuttleworth

At the Lyric Hammersmith, London W6, until April 27 (0181-741-2311).

A good 'Relapse'

Unusually for a peak-period Restoration comedy, Sir John Vanbrugh's *The Relapse* (1696) is almost completely devoid of wit. There is some robust repartee, certainly, erotic or mocking or truculent, and some well-chosen epithets – but nothing to be relished as one relishes the verbal flights of Congreve and Wycherley, or the fine character-drawing in the dialogues.

The Relapse is a one-idea comedy. Most people are much more lubricious than it is thought proper to admit; they are either at it, or in undisguised hot pursuit of it, most of the time, and especially in late 17th-century London; spelling that out on stage should be mildly outrageous (everybody really *knows*, after all) and therefore amusing.

Ian Judge's Royal Shakespeare Company production, which has reached the Barbican after a successful Stratford run, plays the one idea hard. Bodices are delectably low-cut and taut. Jonathan Goldstein's deft music underlines the moments when what is being politely said is skewed by the lusty action. An inviting, capacious bed holds centre-stage much more often than it needs to do. All of *The Pit* gleams suggestively with multiple candelabra and peeling mirrors; and the actors have been encouraged to drop into straight-to-the-audience address from time to time, winningly or winsomely according to your taste.

If the broad lines of Judge's staging come close to gross-and-glitzy, however, his excellent cast enliven it with succulent down-to-earth detail. The result makes a longish (three hours with an interval) but quite entertaining evening. Among the many expert principals, too numerous to record, four stand out.

The rustic Sir Tunbelly Clumsey (Christopher Benjamin) blossoms into an impeccably extravagant 18th-century cartoon – better than Vanbrugh deserves, for his stereotyped "country" folk expose his lazy London bias. Christopher Godwin makes Coupler, the society go-between, a memorably creepy groper and grabber. Victor Spinetti's Lord Foppington is a delight: ludicrously vain, of course, and yet exuding placid, kindly, unshakeable decency.

Above all Susan Tracy's Berinthia, the "other woman" in the main intrigue, is a model of Restoration playing. Everything she does is unabashedly public and self-conscious, though most of her role involves feigning and deceit; and she does it with perfect poise and sexy period grace. She takes us into her confidence, teasingly and knowingly, always maintaining a slight ironic distance. It is nice to be reassured that there are still actors about who can bring that style off; it is too complicated now for most of her contemporaries.

David Murray

At The Pit until June 15; production sponsored by Allied Domecq.

Sponsorship

When little things mean a lot

Sponsorship can be everything from the icing on the cake to the seed corn. This is certainly true in the north east, which has just competed successfully to win the Arts Council's accolade, "Year of Culture", this year devoted to the visual arts.

These "Years of Culture" have proved both hit – Manchester and drama; and miss – Swansea and literature. The north east has *pulled out* all the stops and put together a £10m investment, which will finance 1,000 exhibitions and leave behind tangible works of art and new gallery space.

Sponsorship has contributed £1m, led by £130,000 from Inter-City East Coast, which is providing free travel and paying for seven works of art to grace the ramparts which surround Berwick-on-Tweed. The other major sponsor is Barbour, which is giving £100,000 towards the improvement of the Laing Art Gallery in Newcastle.

But seed corn can get big projects off the ground. It was the £50,000 from Morrison's Supermarkets which paid David Mach to create "Train", and helped persuade the Arts Council to contribute £515,000 from the lottery towards the cost of the 350,000 brick sculpture at Darlington.

Yesterday the council gave £584,000 to make possible Antony Gormley's "Angel of the North", the 60-foot steel sculpture at the entrance to Gateshead on the A1, because local companies Express Engineering and Silver Screen have shown their confidence in the project with £6,000. Now all eyes are on British Steel, which is expected to give much of the material for the creation.

One of the quaintest sponsored events comes from Northern Rock, the building society. It is contributing £5,000 towards an exhibition at the Durham Art Gallery of northern rocks, stones decorated by artists in the area from the Stone Age down to the arrival of the Romans. Alongside will be works by contemporary artists influenced by such landscape artists, notably Andy Goldsworthy.

★

The King's Theatre in Edinburgh has persuaded Pinnacle Vodaphone and Emergency Mums to finance a scheme which provides theatre-going parents with a free babysitting service when visiting the theatre. Pinnacle provides cash and Emergency Mums, a babysitting service, help in kind. All told the package is worth £10,000.

★

Companies are constantly seeking new ways of helping the arts, one of which is how they can make practical contributions to the long term success of an arts organisation.

One of the worthy causes currently needing help is the Royal College of Art, which in its hundred years of existence has trained thousands of students who have gone on to make vast profits for British companies through their design and craft skills.

These days students must think twice about accepting a place at the RCA because of inadequate grants. To ensure that it continues to attract the best, the RCA has launched a centenary Scholarship Fund. An endowment of £64,000 produces just over £4,000 a year in perpetuity, enough to pay a student's maintainance costs for two years and contribute to fees. Marks & Spencer, Condé Nast, House of Fraser, W.H. Smith and Osborne & Little are just some of the companies who are repaying their debt to the RCA.

Another increasingly popular way of supporting the arts is through providing management skills rather than cash. Business in the Arts (0171 378 8143), which encourages management specialists – accountants, marketing men, computer experts – to work on secondment in arts organisations, has just launched a new initiative, Board Bank, which aims to improve the running of arts companies by attracting *middle and senior managers* from industry on to their boards.

A pilot scheme worked well in the north west and Scotland. It is particularly useful for younger executives, enabling them to get boardroom experience in a creative environment, and companies such as London Electricity, have quickly appreciated the training possibilities. In time a thousand executives could be getting their first directorial experience on the boards of arts companies.

Board Bank is being sponsored with £25,000 from NatWest, which covers the set up and *promotional* costs. Another NatWest sponsorship, the NatWest 90s Prize for Art, is currently on show at the Royal Academy in London.

★

The Corporation of London is to be the new sponsor of the London Schools Symphony Orchestra. It takes over this month from London Electricity, which backed the LSSO for six years and says goodbye on Monday with a Barbican concert featuring Julian Bream. The corporation is investing £130,000 over three years, including the commissioning of new work. The sponsorship confirms the City's status as the third largest funder of the arts in England, after the Arts Council and the BBC.

A.T.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Borodin Quartet: perform Shostakovich's String Quartet No.9 and Beethoven's String Quartet in C sharp minor, Op.131; 8.15pm; Apr 14
● Nederlands Kamerorkest: with conductor Hartmut Haenchen, soprano Barbara Schlick and alto Katarina Karnéus perform works by Van Wassenaer, Pergolesi and Locatelli; 8.15pm; Apr 13, 14

■ ATHENS (US)

EXHIBITION
Georgia Museum of Art
Tel: 1-706-542-3255
● From Bonnard to Toulouse-Lautrec: Avant-Garde Printmaking in France in the 1890s: this exhibition provides an opportunity to see prints by artists who participated in the creation of the publication "l'Estampe originale", of which the museum owns a very rare, complete set, and from which most of the prints on view originate. *Artists represented include Pierre* Bonnard, Edouard Vuillard, Maurice Denis, Paul Gauguin, Henri de Toulouse-Lautrec, Paul Signac and Mary Cassatt; from Apr 14 to Jun 16

■ BALTIMORE

EXHIBITION
Baltimore Museum of Art
Tel: 1-410-396-6310
● Ancient Nubia: Egypt's Rival in Africa: exhibition of some 300 objects from ancient Nubia, from the collection of the University Museum, University of Pennsylvania. Works in ceramics, stone, ivory and bronze trace a 3,600-year history of Nubia and give a perspective on Nubia's volatile relationship with ancient Egypt. Nubia both influenced and was influenced by Egypt culturally. Eventually Nubia conquered Egypt, creating the largest state ever to exist along the Nile (712-657 B.C.); to Apr 14

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Deutsches Symphonie-Orchester Berlin: with conductor Sakari Oramo, pianist Frederick Kempf and cellist Tatjana Vasiljeva perform works by Tchaikovsky, Rachmaninov and R. Schumann; 8pm; Apr 14
Philharmonie & Kammermusiksaal
Tel: 49-30-2614383
● Berliner Philharmonisches Orchester: with conductor Zubin Mehta and pianist Evgeny Kissin perform works by Ives, Bartók and Rachmaninov; 7pm; Apr 13, 14 (11am), 15 (8pm)
EXHIBITION
Gemäldegalerie - Bodemuseum
Tel: 49-30-2035550
● Wilhelm von Bode – Museumsdirektor und Mäzen: exhibition devoted to museum director and maecenas Wilhelm von Bode, in commemoration of his birth 150 years ago. The exhibition includes some 50 paintings and 15 sculptures that were donated to the museum by Von Bode; to Apr 14

■ BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-2123333
● Bengt-Ake Lundin: the pianist performs works by Mozart, Frumerie, Liszt, Ravel and Rachmaninov; 2.30pm; Apr 14

■ CHICAGO

CONCERT
Chicago Orchestra Hall
Tel: 1-312-435-6666
● Chicago Symphony Orchestra: with conductor Lawrence Foster and pianist Alfred Brendel perform works by Husa and Beethoven; 8pm; Apr 13, 16 (7.30pm)

■ CLEVELAND

EXHIBITION
Cleveland Museum of Art
Tel: 1-216-421-7340
● Pharaohs: Treasures of Egyptian Art from the Louvre: exhibition of 30 works of Egyptian art from the Louvre. All major periods in 3,000 years of Egyptian history are represented in the show, which examines royal images in statues, *reliefs, and steles for insights into* traditions and innovations in *Egyptian art. The works range in* size from five-inch statuettes to life-size portraits; to Apr 14

■ COLOGNE

OPERA
Opernhaus Tel: 49-221-2218240
● Otello: by Verdi. Conducted by James Conlon and performed by the Oper Köln. Soloists include Frederic Kalt, Katarina Delayman and Gino Quilico; 5pm; Apr 14, 18 (7.30pm)

■ DETROIT

EXHIBITION
The Detroit Institute of Arts
Tel: 1-313-833-7963
● Thomas Cole: The Voyage of Life: on loan from the National Gallery of Art in Washington, D.C., this series of four paintings by American artist Thomas Cole (1801-1848) concerns the stages of life, the passage of time, and personal salvation through religion; to Apr 14

■ GLASGOW

CONCERT
Glasgow Royal Concert Hall
Tel: 44-141-3326633
● Warsaw Sinfonia: with conductor Sir Yehudi Menuhin, violinist Rafal Zambrzycki-Payne, *cellist Davis* Cohen and pianist Bobby Chen perform Beethoven's Symphony No.3 in E flat (Eroica), Triple Concerto and Egmont Overture; 7.30pm; Apr 14
EXHIBITION
The Burrell Collection
Tel: 44-141-6497151
● *Visions of Spain: over 30* paintings from the Stirling Maxwell *Collections, with works by Goya, El* Greco, Velasquez, Murillo, Coello and Salgado; to Apr 14

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● Gothenburg Symphony Orchestra: with conductor Neeme Järvi perform Sibelius' Pohjola's Daughter, Symphony No.6 in D minor and Symphony No.5 in E flat; 8pm; Apr 14
Royal Festival Hall
Tel: 44-171-9604242
● The London Philharmonic: with conductor Wolfgang Sawallisch perform Brahms' Symphony No.1 and Symphony No.3; 3pm; Apr 14
Wigmore Hall Tel: 44-171-9352141
● Truls Mork and Artur Pizarro: the cellist and pianist perform works by *Maiskowsky, Prokofiev, R.* Schumann and Brahms; 7.30pm; Apr 13

■ NEW YORK

OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● La Bohème: by Puccini. Conducted by Simone Young and performed by the Metropolitan Opera. Soloists include Angela Gheorghiu, *Karita Mattila, Roberto* Alagna and William Shimell; 8pm; Apr 13

■ OSLO

EXHIBITION
Nasjonalgalleriet Tel: 47-22-200404
● Francisco Goya. Paintings – Drawings – *Prints: exhibition* devoted to the Spanish painter and *graphic artist Francisco Goya* (1746-1828). The majority of the exhibits come from the collections of the Prado Museum in Madrid and the Metropolitan Museum in New York. Highlights include the paintings The Parasol and Self-portrait (1815). The exhibition includes 30 paintings, 52 drawings *and 91 prints; to Apr 14*

■ PARIS

CONCERT
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Michel Béroff, Jean-Philippe Collard, Gérard Pérotin and Guy-Joël Cipriani: the pianists and percussionists perform works by Mozart and Bartók; 11am; Apr 14

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra dell'Accademia di Santa Cecilia: with conductor Vladimir Spivakov perform works by Cherubini, Mozart and Haydn; 5.30pm; Apr 14, 15 (9pm), 16 (7.30pm)

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● National Symphony Orchestra: with conductor Roger Norrington perform works by Holland, Mozart, Beethoven and Elgar; 8.30pm; Apr 12, 13

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European Money Wheel

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Financial Times Business Tonight

John Kay

An idea full of leaks

The commonsense instinct – that it is daft to introduce competition in the water industry – is correct

It is satisfying to be proved right when everyone tells you that you are wrong. The trouble is that it clouds your future judgment.

So Napoleon, after many victories, invaded Russia. Caesar failed to beware the Ides of March. Mrs Thatcher refused to be deflected by advisers who told her it was impossible to reduce the power of trade unions, or to privatise state industries. She also refused to be deflected when told the poll tax would not work. But on that occasion, her advisers were right.

The UK government's white paper on competition in the water industry comes from a similar vein. It is driven by 10 Downing Street. The objective is to bring to water the same kind of competition that is changing the face of other utility industries.

That competition was introduced in the face of ferocious opposition. They said that only a British Telecommunications monopoly could provide an advanced, integrated, national telecommunications network. But competition has brought better services and lower prices.

We were told the lights would go out if the electricity industry were broken up. It was broken up and the lights stayed on. Or the country would be racked by gas explosions if the British Gas monopoly were disturbed. It was disturbed and our buildings are still intact.

So it is easy to see why there is scepticism when the same sort of arguments are presented to explain why it is impossible to have competition in the water industry. As in telecoms, gas and electricity, there are those in the industry who rush to explain that the present structure is not only the best of all possible worlds but the only one that can protect us from contaminated water.

That argument is as fallacious as all the others. But there is a difference between water and the other utilities. It really is possible, and desirable, to introduce competition into telecoms, gas and electricity. In the water industry, however, the commonsense instinct that it is daft to have competing water suppliers is perfectly correct.

The basis of competition in gas and electricity is to split off the natural monopoly elements – national transmission and local distribution – from the potentially competitive components of production and supply. So the electricity industry has been broken up by separating the National Grid and London Electricity from companies such as National Power and PowerGen – and now several others – which run power stations. And in future consumers will be able to buy gas or electricity from any company – it could be British Gas, Marks & Spencer or Barclays Bank – which wants to provide service, billing and account management.

As with any other form of retailing, these companies will buy in the services they need – manufacturing and distribution – to bring the goods to the customer. So why is it the same thing cannot happen in water? Just as in electricity and gas, there can be competing suppliers putting power into the system and selling it to final customers, there could be a national water grid, and River Thames Water could compete on taste, price and service with Farmoor Reservoir, Highland Spring and Perrier piped across the channel.

The first difference is that the clear-cut separation between resources and distribution, which is the key to the new structure of gas and electricity, simply does not exist in water. Much of the UK's needs could be supplied from Kielder Water, a huge lake in Northumbria which was built to cater for northern manufacturing industry that closed down, at the cost of piping it all the way across England; or more expensive local resources could be used at lower distribution costs.

Since in any network, establishing the true costs of distribution is extremely complex, it is all but impossible for a regulator to establish a fair basis for competition. That is not just an equity issue: any competition that emerges is likely to reflect the deficiencies of regulation rather than the efficiency of the providers.

That could probably be overcome if it was not for a second problem – that water is so cheap. The government sold the assets of the water authorities for around a tenth of what it would cost to build these assets now. Since many of the reservoirs, pumping stations and pipelines were built by the Victorians, their replacement cost was mostly irrelevant.

However, the replacement cost is not irrelevant to potential competition: a new supplier would have to pay the cost of building such assets from new. But at the moment, there is no more than a handful of customers across the country paying more than it would cost a new entrant to supply them, once proper account is taken of the opportunity cost of the water resources and the replacement cost of distribution assets.

That means there is no possibility of competition based on superior efficiency. However efficient you are, you cannot undercut current prices and make money unless you cross-subsidise your sales from somebody else.

And that is what will happen. Something the government can call competition will emerge. Large customers will ask for discounts and get them. The reasons they will get them will have nothing to do with the long-run cost of supply, which reflects the cost of replacing the water companies' assets. They are already paying less than this under tariffs related to the very low amount for which the government sold the assets. Large customers will get discounts simply because they can ask, and the government is encouraging them to ask.

Domestic users cannot ask, and will not get. Mostly, they will just have to meet the cost of discounts for other people. Perhaps that was what the government had in mind. Or perhaps they just had not thought it through.

Philip Stephens is on holiday. John Kay is chairman of London Economics and visiting professor of economics at the London Business School. His fortnightly column will in future appear on the Friday Management page

Brick check: maintaining one of London's Victorian sewers

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Trends in German pensions

From Mr Paul Brunker.

Sir, Andrew Fisher's article on German pensions ("The storm on the horizon", April 9) is a reminder that the German "book reserve" system of pension funding is often misunderstood. For example, Mr Fisher states that "the reserves, often held in bank deposits or other short-term assets, are generally used to finance companies' own investments". This reflects a common misconception that there are assets that specifically correspond to pension liabilities. In reality, all of the assets of the business are available to meet pension commitments. There are not necessarily any earmarked matching funds or securities.

The article links "the absence of these funds from the market" with the fact that "pension funds are far smaller in relation to the economy than in many other industrialised countries". The book reserve system itself represents pension funding, albeit of an unusual type, and so cannot be held responsible for the low level of this ratio. It does hinder the development of capital markets, but that is another matter.

More generally, the real potential for private pension provision does not lie in conversion of the book reserve system to UK-style managed funds. Companies have been gradually shifting to capitalised schemes, for years, but the more important trend is for them to run down their involvement in pension provision. Individual saving, rather than a transformed corporate pension system, will have to take the lead in supplementing the struggling state system.

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EU has valuable role in alleviating US-China strain over trade

From Ms Judith Hippler Bello.

Sir, Sir Leon Brittan, the European Union's trade commissioner, spoke recently on trade policy at a United Nations Conference on Trade and Development (Unctad) seminar. News reports in the US and, doubtless, China focused on his statement that the EU supports China's World Trade Organisation accession at an "early" stage, with the flexible phase-in of some WTO obligations.

Despite its accuracy, Sir Leon's statement is unfortunate in referring only to the EU's position and using the word "early". It will reinforce the widespread misconception in Beijing that the US alone is blocking China's WTO admission.

This misconception exacerbates an already strained US-China relationship and delays China's WTO accession. The terms China has proposed for membership are widely viewed as substantively inadequate. Yet its hardliners will interpret the EU statement as confirmation that the roadblock to prompt WTO admission is US politics, not the deficiency of China's proposals. Such misinterpretation will make it even harder for Chinese supporters of trade liberalisation to persuade the regime to improve the terms. Without any improvement, there will be no progress toward China's accession.

Sir Leon's remarks should not be characterised as suggesting daylight between the EU and the US regarding China's WTO accession. In fact, Sir Leon's statement paraphrases statements made by ambassador Mickey Kantor. However, such misinterpretation is as foreseeable as it is regrettable.

US statements invariably stress support for Chinese accession on acceptable commercial terms, (ie not on political terms). Moreover, the US normally stresses this view as a joint position of many WTO members, including the Quad countries (EU, US, Canada and Japan). At the Quad meeting last autumn participants stated their joint support for China's admission to the WTO on commercially acceptable terms.

While the EU obviously did not cause the strain in the Sino-American relationship, it can assist in alleviating it. As it did last year when the US effectively withdrew from the WTO financial services negotiations, the EU can help lead the accession negotiations. The EU has the opportunity to project a multilateral position on the inadequacy of China's WTO offers, and the multilateral need for more realistic offers. Beijing opponents of trade liberalisation would then find it more difficult to resist improving those offers.

Facilitating China's positive integration into multilateral institutions is a multilateral opportunity and responsibility. The EU can play an invaluable role in this regard if it takes pains to lead a multilateral chorus.

Judith Hippler Bello,
(former general counsel to US trade representative in second Reagan administration),
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UK can be prosperous outside Europe

From Mr Michael Twist.

Sir, Philip Stephens states ("Invitation to honesty in the halfway house", April 2) that the "electorate. . .understands the link between Europe and prosperity. . .opting for jobs ahead of the political abstraction of sovereignty". Mr Stephens does not substantiate how Europe has made us prosperous or created UK jobs, yet goes on to refute the Eurosceptics on this basis.

How has the net transfer of £3bn per annum to the EU made us more prosperous? Surely it makes us less so. The Common Agricultural Policy artificially inflates UK food prices and becomes, to use his words, an "abstract" additional tax on the UK. An "O" Level student of economics knows that the minimum wage enshrined in the social chapter can only threaten job creation. How has the global ban on exporting British beef made us more prosperous or the encroachment of European fishermen in English fish stocks?

How dare he call sovereignty an abstraction. If he is arguing that sovereignty is meaningless, why does the IRA remain so terribly committed to a sovereign Ireland? Why has the Soviet Union collapsed and the Balkans been so long at war?

I agree that history matters. The Gold Standard, Bretton Woods and the ERM should have taught us that fixing exchange rates is a futile exercise in face of the free movement of capital. How do we exit a single currency? Sovereignty is precious. Britain will prosper outside of Europe.

Before Mr Stephens writes another article, I suggest he substantiates his assertions of what the electorate thinks, rather than arrogantly assuming it conforms to his own abstract view of Britain's future.

Michael Twist,
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US has chosen economically preferable route to job creation

From Mr Anwar Ravat.

Sir, Professor Christopher Pissarides (Letters, April 10) claims that the job creation success in the US is at the expense of equality. However, in disparaging service-sector jobs in the US (he cites supermarket packers and petrol station attendants), he presents a perfect example of the attitude problem (along with labour market rigidities) which causes Europe to lag the US in job creation.

What economic logic is there to dismissing such employment on the grounds that it creates "inequality" – even though the supermarket and petrol station workers mentioned are more often than not students, seniors and women working part time; people who it suits to work in those jobs. Presumably, the writer prefers – in the name of full equality for all, in high paying jobs – that such workers remain unemployed and (most likely) a charge on state coffers.

Anwar Ravat
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Europa · Sergio Romano

Hard to spot the difference

There is little to choose between the main contenders in Italy's election

When Italians vote on April 21 they will have to chose between two broad coalitions. On one side there is the centre-right, led by Mr Silvio Berlusconi, the media magnate who leads Forza Italia, and Mr Gianfranco Fini of the National Alliance (AN).

On the other side is the centre-left Olive Tree alliance, led by the Party of the Democratic Left (PDS) created from the former Communist party, with smaller partners such as the left of the old Christian Democrat party, the Greens, old communist hardliners and a new group formed by Mr Lamberto Dini, the present prime minister.

Voters ought to be able to choose between the two on the basis of their programmes. But with a few exceptions their programmes are substantially similar: both say they will privatise state assets, reduce government spending, improve public services and create jobs. The right, unlike the left, is promising to cut taxes, although it would probably content itself with a marginal rebalancing of the fiscal system.

One of the more surreal episodes of the campaign has been provided by Mr Romano Prodi, the leader of the centre-left coalition, when he accused the right of plagiarising parts of his programme. This produced an irritated response from the right which pointed out that the shared part of the two parties' programmes came from a policy document drawn up by the national shopkeepers' trade association. I cannot recall a similar case where two political adversaries have used the same source and discovered their programmes were so similar.

Voters are thus likely to ignore the coalitions' programmes and vote instinctively for the parties and their leaders. As in other countries, many are likely to make the decision on religious, ideological or family grounds. And the result will be determined by the third of the electorate which is undecided.

Yet we cannot conclude that the coalitions would adopt the same approach in tackling the two main challenges facing Italy. The first is to reform the country's constitution and adopt a political system that creates stable governments capable of pursuing long-term policies. The second is to put its public finances in order, reducing the public debt and cutting the budget deficit to the 3 per cent of gross domestic product required by the Maastricht treaty for entering the European Union's single currency.

Resolving both challenges is essential if Italy is to maintain its role in the heart of the EU. It will be difficult, if not impossible, for a politically unstable country with unsound finances to join economic and monetary union in 1999. But if Italy cannot tackle its constitutional and financial difficulties, it will be progressively marginalised in the Union and sooner or later forced out of the club of the leading industrialised nations.

Where do the two alliances stand on these two points? The right wants to reform the political system. Mr Fini and Mr Berlusconi favour a semi-presidential system of government modelled on that of France, where the head of state is directly elected and has powers to form a government, nominate and sack ministers, and dissolve parliament. Although the right's programme remains partial and ambiguous, it would devote much of its energy to constitutional reform.

On the left things are less clear. Mr Massimo D'Alema, the leader of the Party of the Democratic Left, certainly favours political reform. But he must take account of allies who are against even minor modifications to the powers enjoyed by Italy's parliament. For reasons of history, a sizeable section of the left rejects the idea of a national leader elected by the people and capable of imposing his own policies on his parliamentary followers. Italy's parliamentary system gives even minority parties a say – and even a veto – on national policymaking.

In power, the centre-left leaders – Mr D'Alema, Mr Prodi and perhaps Mr Dini – would have to take account of their allies' views. At the constitutional level the left is thus more conservative than the right.

On Europe, the positions of the two groupings are seemingly reversed. The right claims to back the single market and monetary union: but the National Alliance opposed ratification of the Maastricht treaty.

The Alliance is especially strong in the south where many of its voters rely on the state industries for their employment. Like Russia, Italy has an economic *nomenklatura*, with the heads of these industries anxious to bolster their power and avoid the winds of competition. Mr Fini has become their main protector since the collapse of the Christian Democrats.

Italian voters are likely to ignore the programmes of the coalitions and instead vote instinctively for the parties and their leaders

Thus on Europe, the right appears divided between a northern, pro-European wing aware of the need to reduce the role of the public sector, and a southern one anxious to retain the state presence. As in the UK, however, the division of the right over Europe is matched by the enthusiastically pro-European outlook of the left (with the possible exception of the old hardline communists).

However, this does not necessarily mean that a government of the left would meet the economic convergence targets for membership of the economic and monetary union. Last year the Dini government, backed by the left, agreed to water down proposals to reduce the cost of state pensions in order to retain the support of the unions. The latter, while declaring themselves good Europeans, have to protect their members from the economic stringency that would be involved in meeting the Maastricht targets.

Unlike other western countries, Italy still has large trade union organisations, and many recent governments have allowed them to exercise an effective right of veto on major issues affecting Italian society. No politician, perhaps not even Mr Berlusconi, would seem ready to imitate the UK's Baroness Thatcher in challenging union power.

Thus as the election approaches, neither alliance satisfactorily confronts the two main challenges. One can only hope that the undecided voters – the ones who determined the outcome of recent elections – oblige the parties to be less reticent and ambiguous on these issues.

The author is a historian and columnist for La Stampa, the Turin daily newspaper

FINANCIAL TIMES

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Friday April 12 1996

Prepare for the age of genetics

Genetics research has accelerated to the point where several human genes are discovered every week. Four thousand of the estimated 50,000 to 100,000 genes that provide the blueprint for our development have been identified, and almost all of them will be known within 10 years. It is easy, therefore, to feel blasé about the discovery of yet another new gene. But the one announced today is special.

The gene for Werner's Syndrome, a rare disease whose victims age very rapidly, is the first known to control the ageing process. Everyone will be excited by the prospect of new treatments to delay the deterioration associated with old age. But the discovery also throws into relief a host of ethical, legal and social concerns that people have about the breakneck speed of genetic research – from the immediate fear that gene tests will lead to unfair discrimination in employment and insurance, to possible long-term abuse of genetic engineering to create a master race.

Today, all we know for certain about the new gene is that four rare mutations in it lead to very rapid ageing, with the result that people in their 30s and 40s suffer from the diseases and the physical appearance that are normally associated with the 70s and 80s. The scientists who made the discovery hope that, by studying the gene in the general population, they will find a range of more common mutations that affect susceptibility to the diseases of old age; these could be then be developed into a test to predict how long someone might live.

Imagine that you were offered such a test. Would you take it? Probably not, if there was nothing practical you could do about the results. You might be more interested if there was a prospect of treatment. But even then you might be put off, if you had to declare the outcome to third parties such as insurers or employers. Or, if you were a young woman wanting to have a baby, might you be tempted to choose the embryo on the basis of a longevity gene test?

People are already beginning to face dilemmas of just that sort over tests for diseases ranging from breast cancer to Alzheimer's. And the science is moving so fast that within a few years it will be possible to test almost every facet of our genetic inheritance, including aspects of intelligence and behaviour which are determined by many genes acting together with environmental influences.

The implications of this rapidly approaching future need to be thought through now. Choices should also not be left exclusively to individual parents, patients, doctors or insurance companies. What is needed is an ethical and legal framework governing the use and abuse of genetic research – and, inevitably, governments will have to take a lead. In the UK, the government should establish a wide-ranging Human Genetics Commission to oversee the whole field, as the Commons science committee has recommended.

Mayor of London

If Labour wins the next election, an elected Greater London Authority is likely to be established. It is hard to object to such a step on principle. Everything depends on the nature of the beast, as yet visible only in bold outline.

The arguments for an elected London authority come down to one invincible word: democracy. Londoners had a directly elected authority for nearly a century, until it was abolished by the Thatcher government in 1986. Opinion surveys show that they overwhelmingly want it back. And they do so because they believe that their quality of life, particularly their public transport, would improve thereby.

This appears to be a settled view; and since it so obviously accords with the practice of city government in virtually every other western democracy, there is little point in resisting it. On the contrary, it should be seen as a challenge to create a body which maximises the benefits to Londoners of gaining a single democratic "voice" while minimising the likelihood of unnecessary bureaucracy and political tension.

Labour's outline scheme appears broadly sensible. It rules out changes to the existing system of boroughs, which have been chopped and changed enough. It gives the proposed authority partial responsibility for public transport, through control of London Transport. It will also act as the capital's police authority in place of the home secretary. Elsewhere, particularly in land-use planning, its function will be "strategic". This is an imprecise role, involving overlap with borough and national authorities, but no more so than in any system of subnational government for a fairly large state, such as the UK.

Two issues must, however, be handled with care: the method for selecting the mayor of London, and the future financial arrangements for London's government.

Labour has ruled out tax-raising powers for the new authority. But if the mayor is to have significant responsibilities, like public transport, then a system to constrain the arbitrary and unpredictable allocation of Whitehall grants is essential.

A head of steam is also building up within and beyond the Labour party for a directly elected mayor. If the aim is to ensure a strong executive, this could be achieved equally well by strengthening the executive role of a mayor chosen from among a group of elected councillors. A direct election may give the mayor a higher public profile, useful to promoting London at home and abroad. But it may also lead to debilitating conflicts between the mayor and his or her council, so damaging that profile.

Direct mayoral elections offer a classic opportunity for experiment. The place to start is not the UK's largest city, but elsewhere.

Burnt toast

It can be difficult having Li Peng as a house guest. When the Chinese premier journeys to the west, he is inevitably greeted by placards and protests, and by hosts who have difficulty forming the words of welcoming speeches. Mr Li takes the brunt of the public blame for Tiananmen seven years ago, and his experience in Paris is a bruising personal reminder that he has yet to be rehabilitated.

Before leaving Beijing, Mr Li gave polite interviews, suggesting that both France and China are countries with a long history, rich culture and an important role in international diplomacy. He is right, but his fit of pique over a dinner speech by the French prime minister, Mr Alain Juppé, indicates an unfortunate willingness to make a diplomatic incident out of a predictable paragraph on human rights. Instead of responding as if he was losing face, Mr Li should have taken it on the chin.

His reaction is not, as people tend to think, "typically Chinese", but a characteristic response from Mr Li, known at home for occasional prickliness and a fondness for what is called the "sweet taste of bitterness".

Chinese foreign policy is sweet-and-sour. The government is aware of its Great Power status, but also prone to see itself as a victim. This sense, on display at the Paris dinner, echoes the traditions of a Communist party determined to expel "foreign aggressors", and is strongly felt by Mr Li and his more conservative allies. But Mr Li must be aware that his political support at home will fade with these old revolutionaries.

Paris has already had to walk a fine line between conscience and contracts in welcoming a $1.5bn Airbus order publicly gifted by the Chinese government. After the toast that went wrong, the French government is under even greater pressure to justify its China policy and Mr Li's presence.

While arguing that investment is an issue separate from human rights, Mr Li has made the link all the more clear by giving the impression that business deals are done by Beijing with those prepared to keep silent on the subject of political abuses. *Le Parisien*, a tabloid, yesterday made the point in an embarrassing headline: "Li Peng buys, Juppé shuts up."

Economic engagement has been an effective means of exporting democratic ideas to China during the 18 years since the "open door" policy began. Part of that programme has been the occasional trip abroad by the leadership, and while it is unlikely that Mr Li will experience a sudden conversion on the road to anywhere, he should be encouraged to travel.

Apart from the sights, he will see that the world has turned since the 1949 revolution and notice that most of his hosts are in awe of an emerging China. He should also be struck by the increasing expectations of Chinese decorum at the top table.

Democracy out of reach

Neighbours and allies are watching closely as Bahrain's rulers resist demands from Shia Moslems for political reforms, says David Gardner

Bahrain last month took a step into the unknown. On March 26, the government – controlled by the al-Khalifa, the Sunni Moslem royal family – carried out its first execution since the Shia Moslem majority began to agitate for a share of power 16 months ago.

Shia villages around Manama, the island's capital, erupted in riots after the execution of a youth convicted of killing a policeman. Undeterred, the government said it would put on trial leading Shia clerics, and would demonstrate that Iran's Shia Islamic revolutionary regime was manipulating Bahraini Shias to destabilise the whole Gulf.

For over a year, the al-Khalifa family, apparently unable to decide how to react to the unrest, had been hesitating between dialogue and repression. It now seems determined to resist pressure for democratic reform in Bahrain, the banking centre of the Gulf.

Bahraini Shias have long resented their relative poverty, high unemployment and the squalor of many of their villages. Yet there is little in Bahrain's placid and prosperous recent history to suggest what the consequences will be of raising the stakes in this confrontation.

The unrest has already damaged Bahrain's service-based economy. Neighbouring absolute monarchies in the oil-rich Gulf – also under varying degrees of pressure to share power – are carefully watching the situation, as are the US and Britain, Bahrain's chief western allies.

The al-Saud ruling family in Saudi Arabia, which last year publicly beheaded nearly 200 people, wants Bahrain's rulers to take a firm line. The Saudis fear the agitation there could spread to the Shia inhabitants of Saudi Arabia's eastern province, the oil region linked by causeway to the island. The al-Saud have just turned over to Bahrain the entire output of the hitherto shared Abu Sa'afa oilfield, in a deal which may have helped to stiffen al-Khalifa resolve.

In an interview with the FT a day after the Bahrain execution, Sheikh Mohammed bin Mubarak al-Khalifa, Bahrain's foreign minister, said his government would not reinstate the National Assembly, dissolved by the al-Khalifa in 1975. "Western-style democracy" would only "divide rather than unite" Bahrainis, he insisted. "We say openly: that won't work here. We are not in Scandinavia, we are in the Gulf. We are going to do it our way.

"We don't want to hang people, we don't like that," Sheikh Mohammed said. "But people should know that capital punishment is there."

Bahrain's crisis began in December 1994 after the regime jailed Shia clerics who, along with some secular and Sunni former MPs, had compiled a petition to recall the National Assembly. There was an eight-month lull from last April while the government held talks with Sheikh Abdelamir al-Jamri and other leading clerics. Then, in January, the violence resumed – spreading from Shia villages into Manama, where hotels, banks and businesses have been bombed – after the talks collapsed and the government sent its interlocutors back to jail.

Each side accused the other of bad faith. The opposition says the government undertook to examine the re-introduction of full constitutional rule after the clerics went back to their mosques to call off the agitation. The government says Mr al-Jamri, emboldened by the unprecedented rallies of up to 50,000 people which turned out to greet him and other Shia leaders released during the talks, decided to increase opposition demands.

Bahrain's neighbours, especially the Saudis, were shocked by the size and number of these demonstrations, which some diplomats and Sunni businessmen say convinced Bahrain's Emir, Sheikh Isa bin Salman al-Khalifa, that the opposition wanted outright power.

Bahrain's old National Assembly was more auditor than legislature. Ministers appointed by the Emir had to appear before it, mostly to account for spending. Yet Sheikh Mohammed maintains that "we have a fundamentalist movement here which wants to govern, and not only in Bahrain". He says its leaders are trained, organised and financed by "certain external forces". He refuses to name Iran directly but says the source of the fundamentalists' support will come out when Mr al-Jamri and his colleagues appear in court.

Thus far, however, the government has furnished no evidence of Iranian involvement. Clerics are trained in centres of Shia learning such as Qom, the mullahs' heartland in Iran, but other Shia sheikhs, including Mr al-Jamri, studied at Najaf, an Iraqi Shia religious centre. "This is as far from fundamentalism as you could ever want," says one senior western diplomat. "This is a community movement, not a religious movement".

But the al-Jamri trial could easily radicalise this movement, in which a cult of Islamist "martyrdom" is already growing. Hundreds of young Shia Moslems who can exhibit their jailings and beatings like battle honours are rising quickly up the pecking order.

However, the violence and its effects so far should be kept in proportion. Best estimates are that 24 people have been killed, many of them by the security forces. The bombs in Manama have so far been small, crude devices designed to scare and seek publicity, rather than cause real bloodshed. Jailed opposition leaders still preach non-violence. Hotels are almost empty, consumer spending is down, and the property market has been dislocated by expatriates moving into the capital from suburbs adjoining Shia villages. But until now, the economy has suffered from attrition rather than structural damage.

Big Bahrain employers, such as Alba, the aluminium smelter, and ASRY, the ship-repair company, have not lost a day's work from their large *Shia* workforces. The banking industry is still intact, with offshore bank assets now around $68bn, not far short of the $72bn peak reached before the 1991 Gulf war damaged confidence. Gulf International Bank, for instance, has just won international underwriting for a $250m syndicated loan on favourable terms for its own general funding rather than for projects, and with a maturity of seven years – double the previous norm. "We don't pay a premium for our dollars," one banker says.

But GIB is a regional bank owned by the Saudi-dominated Gulf Co-operation Council (including Bahrain, Qatar, Oman, Kuwait and the United Arab Emirates). In that light, the syndication terms say more about these countries' ownership of two-fifths of world oil reserves than the prospects of Bahrain, which has little oil of its own. In Bahrain's business community, many feel it is only a matter of time before gradual erosion does undermine the structure of the economy.

The security forces, led by the shadowy former British colonial policeman Mr Ian Henderson and largely staffed by Pakistanis, have had little trouble keeping control so far. But if this tempts the country's rulers to ignore the political and social grievances of the Shias, the opposition could equally be tempted to intensify its challenge.

"The gap is growing between the rulers and the people of this island, and not only the Shia," says one Sunni businessman. Another wealthy Sunni and former MP warns that "the Shia will fight; they will go on as long as it takes, so it's ballots or bullets". He adds that "as a Sunni, I'm going to lose" if the conflict gets more violent and sectarian, "so I want a parliament out of interest as well as conviction".

The government, in addition to repression, hopes a combination of job creation and limited consultation with its citizens will defuse the crisis. Mr Abdel Nabi al-Shoa'la, the Shia Moslem labour minister, is turning his budget towards vocational training, and expects to create about 35,000 jobs in the next five years, through new public and private investment and increased "Bahraini-isation", replacing gradually 130,000 low-paid Asian workers with local labour.

The government also plans to make the Majlis al-Shura, the consultative council appointed by the Emir on the Saudi model, more representative from next month. Some form of municipal representation may also be introduced, although Sheikh Mohammed will not say whether by election or selection. "You have to build a culture of civic disagreement," says one minister. "You can't import democracy like an air conditioner."

The problem with this approach, as elsewhere in the Arab world, is that the Islamist groups will get a monopoly on dissent. "No other party has the opportunity to get in touch with its masses five times a day, every day of the year," admits a senior Bahraini official, referring to Moslem prayer times.

So far, the legitimacy of the al-Khalifa, who have ruled Bahrain for over two centuries, has not really been questioned. Diplomats, opposition and business leaders warn that could change if the royal family relies on repression. As one Sunni businessman puts it: "We want a parliament. Whether it is now, or in five, 10 or 15 years' time. But the later he [the Emir] leaves it, the more likely it is he'll have to go."

Ingram Pinn

· OBSERVER ·

Charge of the trite brigade

■ It's not only the French who get hot and bothered about the insidious spread of the English language. Purist Russian speakers are also now fretting at a similar invasion.

But, given 74 years of communist splendid isolation, should we be astonished that the Russian worlds of advertising, finance, and computers are all now awash in English expressions?

At advertising companies, for example, the *kreativi* now sit down in their *miting-rumi* to discuss their latest *promoushun* and how best to handle the *pablik rileishns*. According to one Russian academic, a staggering 10,000 English expressions have entered Russian usage since *perestroika* (one of the few Russian words to enter English speech).

And it's often just as hard for foreigners as most Russians to understand this 'Ruslish'. The Russian-language *Kapital* newspaper has helpfully published a handy guide for those lost in the new jargon, explaining what *target-odiens* and *singl maindid propozishn* really mean.

Into the fray has now stepped Boris Yeltsin, ever-mindful of the nationalist vote; he's set up a council to defend the purity of the Russian language. And, in Moscow, mayor Yuri Luzhkov has banned advertising which is not in the Cyrillic script – although no-one seems to pay much notice.

It's all very tricky. For simply transliterating foreign names into Russian can *also* have unfortunate consequences.

The rendering of Sanyo into Russian means something unprintable and normally found in a loo. The electronic goods company's advertising hoarding – previously displayed directly opposite the *Makdonalds* restaurant in Pushkin Square – has been quietly removed.

I want it in red

■ Sub-comandante Marcos, the enigmatic Zapatista guerrilla leader, whose hazel-green eyes peering from a ski mask have made him something of a sex symbol in Mexico, has declined an offer to star in a Benetton advertisement.

According to *Harper's Magazine*, the Italian fashion chain wanted to use the photogenic rebel and his followers for one of its controversial advertising campaigns. The answer, relayed from the guerrillas' stronghold deep in the Lacandon jungle of southern Mexico, was a resounding "no".

Marcos, who is not averse to publicity stunts, probably has a very good reason for refusing to fly the Benetton colours. He was last seen in the company of US movie-maker Oliver Stone, who last month was granted a rare interview with Marcos. Film buffs believe there is a film about the Zapatista struggle in the making.

Surely some room there for product placement?

The man's all heart

■ Something to warm the cockles of your heart. US President Bill Clinton is going to appear – as himself – in a forthcoming CBS TV film about a child with terminal cancer, who wants to meet the president.

The White House says that Clinton has agreed to participate because the film reinforces the importance of the 1993 Family and Medical Leave Act. This piece of legislation requires employers to provide up to 12 weeks of unpaid leave a year to all workers who need time off during a family emergency to care for an ailing spouse, parent or child.

Called "A Child's Wish" the film depicts the troubles of a family when the daughter loses a leg, and the father subsequently loses his job as a result of spending too much time with her.

It's nice to see he's got time to spare in this very busy (election) year.

The driving seat

■ A novel slant on the democratic process has reared its head in Bangkok where Vasant Pothipimpanon, president of a local distributorship for Mercedes, believes he has invented a way to overcome voter apathy – give voters a chance to win a Mercedes Benz car.

Toss in 500 watches and maybe 10 diamond rings (a total jackpot equivalent to $124,000) and – bingo! – voters might flock to the June polls for Bangkok's governor. Voter turnout was about 35 per cent in the general election last year.

"I will spend just about 3 million baht, but the country will gain a lot of things," he said. "At least we will get a governor elected by a majority of the people, so cynics cannot criticise him on that account any more."

True – he'll instead just get slagged off by all those who voted for the loser *and* failed to win a prize.

Just kidding

■ Just back from a holiday in Florida, Nikolaus Senn, chairman of Union Bank of Switzerland, was whisked in front of the television cameras on Wednesday, to give his view of the startling merger approach last week from Rainer Gut, chairman of rival CS Holding.

As the call came on April 1, did Senn think it was an an April fool's joke?

"Partly," he growled.

The Financial Times

50 years ago

Malayan tin hopes

Patient shareholders in Malayan tin-producing companies can at last see the first glimmer of daylight. That, at least, is suggested by the news that an offer of financial aid may in due course be put before individual producers. Negotiations have not yet reached finality, but progress has been made. There is a possibility – to put it no higher – that the eventual settlement of war damage compensation may not be wholly unsatisfactory to the companies – which was a good deal more than was thought likely a short time ago. Undoubtedly, financial help will be essential to the restoration of the industry.

Cunard Steam Ship

Cunard Steam Ship has not yet found it possible to provide stock-holders with a group balance sheet. Last year Sir Percy Bates told them that to combine figures of a 62 per cent subsidiary, Cunard White Star, with those of 100 per cent subsidiaries would produce meaningless accounting results. In the absence of consolidated figures it is, of course, impossible to view the results of the group as a shipping entity. Nevertheless, stockholders will note with pleasure the progressive building and reconditioning policy outlined in the report.

FINANCIAL TIMES
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France and China agree more talks on jet project

By David Buchan in Paris

France and China yesterday signed an agreement for more talks on co-operation in an aircraft project, after a diplomatic incident over human rights.

Mr Li Peng, the Chinese prime minister, responded to president Jacques Chirac's call for "a constructive" dialogue on human rights by saying that such dialogue was all the more necessary because western and Chinese conceptions of these rights were so different.

Mr Li also acquiesced in his Elysée visit being used to give prominence to the European bid, led by Aerospatiale of France, to build 100-seat regional jets jointly with China.

At a hastily added Elysée ceremony, the heads of Aerospatiale and China's Aviation Industry Corporation signed an agreement to continue negotiations on the project.

Later, however, Chinese officials said the agreement gave Aerospatiale no edge over its US competitors for the deal.

The talks yesterday, which included a Chinese agreement to let France reopen its consulate in Guangzhou, closed in 1993 shortly after French arms sales to Taiwan, appeared to put the Chinese prime minister's visit back on track after diplomatic difficulties on Wednesday night.

Mr Li was 90 minutes late for the signing of China's purchase of $1.5bn worth of Airbus aircraft.

On finally arriving, he objected to references to human rights in an advance text of a toast to be delivered by Mr Alain Juppé, the French prime minister, at the official dinner to follow the contract signing.

In the end, the belated dinner went ahead without toasts from either prime minister.

Yesterday, Mr Li's spokesman gave a completely different account of the delay. This, he claimed, was caused by protracted last-minute contract negotiations. "Toasts would have prolonged the banquet further, and so for that reason, both sides agreed not to pronounce their toasts," said Mr Shen Guofang.

Ironically, what Mr Juppé had planned to say on Wednesday evening was no more than Mr Chirac was reported to have told Mr Li yesterday.

Le Figaro newspaper yesterday published Mr Juppé's undelivered toast, in which he was to have said: "We are not looking for confrontation on this essential issue [human rights], but for a dialogue to promote in a practical way the universal values to which France has always been deeply attached."

Mr Shen also denied the Chinese delegation had received a list of some 20 Chinese political prisoners which Mr Hervé de Charette, the French foreign minister, had earlier said he had handed over with a request for their release.

Editorial Comment, Page 19

Ruling South Korean party faces loss of majority in poll

By John Burton in Seoul

South Korea's ruling party last night appeared to have lost its parliamentary majority in a closely-fought general election.

With more than two thirds of the votes counted, the government won an estimated 141 of the 299 seats in the National Assembly against the 149 seats it gained in the last general election in 1992.

Observers believe the government might still be able to achieve parliamentary control by attracting some independent MPs to its ranks, just as it did after the last election.

However, the results could weaken the mandate of President Kim Young-sam to proceed with economic reforms that have been criticised by the opposition.

The voter turnout at 64 per cent was the lowest since the end of the military dictatorship in 1987 and reflected apathy in a lacklustre campaign dominated by corruption accusations traded between the ruling and opposition parties.

Strong regional influences affected voting patterns as in past elections, with the ruling party strong in the south-east and the opposition parties sweeping the south-west and central provinces. The ruling centre-right New Korea party performed better than expected by exceeding earlier predictions that it would gain only 120 seats.

The party had suffered from a fall in the president's popularity and a corruption scandal involving a presidential aide.

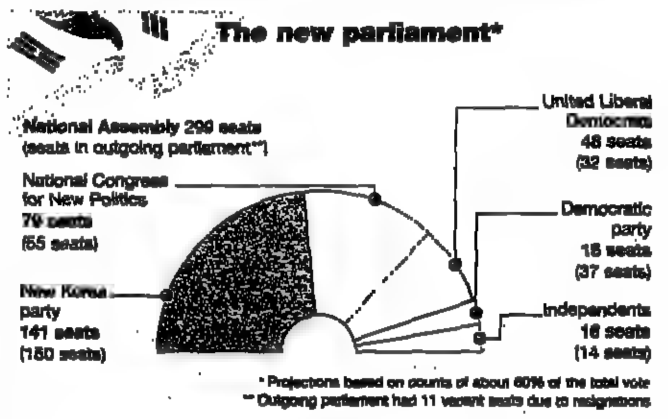
But North Korea's decision last week to abandon the 1953 armistice agreement that ended the Korean war and a consequent increase in military tensions appeared to have persuaded a large bloc of undecided voters to heed the government's appeal for political stability.

The election could affect next year's presidential election by ending the era of the main party bosses, known as the Three Kims, who have dominated Korean politics for the past three decades.

The disappointing results could damage the presidential ambitions of the two opposition leaders, Mr Kim Dae-jung and Mr Kim Jong-pil, while President Kim is constitutionally barred from seeking a second term.

The centre-left National Congress for New Politics fell an estimated 20 seats short of its 100-seat goal; Mr Kim Dae-jung, its leader, failed to secure a place in the National Assembly. The NCNP made huge gains at the expense of its former political ally, the Democratic party.

The new parliament*



* Projections based on counts of about 60% of the total vote
** Outgoing parliament had 11 vacant seats due to resignations

Scientists identify gene linked to ageing

Continued from Page 1

way the gene varies in "normal people" who do not suffer from Werner's Syndrome.

The Darwin scientists hope to correlate mutations in the gene with lifespan and susceptibility to disease. They will see whether people who remain healthy into extreme old age have special protective forms of the gene.

"We may find that this gene is just part of a complex pathway, and it may not be directly related to longevity in most people," Dr Galas said. But the researchers warn that even if the Werner's gene does turn out to play an important role in ageing, it will be acting in concert with hundreds or thousands of other genes in determining how long people live.

Rise in US wholesale prices hits stocks and bonds

By Nancy Dunne in Washington and Lisa Bransten in New York

US wholesale prices rose by 0.5 per cent last month, according to the Labour Department.

The higher-than-expected increase led to sharp swings in US stock and bond prices as some investors detected a sign of renewed inflation.

The figures were difficult to interpret because of an unusually large rise in the food and energy component of the index. This was blamed on unseasonably cold weather during March.

Bond prices fell immediately after the release of the figures, but gained later in the session. By early afternoon bonds were steady near their levels of late Wednesday, with the benchmark 30-year Treasury up $\frac{1}{32}$ at $88\frac{3}{32}$ to yield 6.926 per cent.

Shares also swung sharply in early trading with the Dow Jones Industrial Average falling as much as 70 points before bouncing off its lows to trade with a loss of 26.37 at 5,459.61 in early afternoon.

Energy costs last month jumped 2.4 per cent, but these were attributed to the long winter and sparse stocks of home heating oil. Fuel oil prices rose 10.5 per cent, the largest rise in more than two years.

Food prices, also hit by the weather, rose 0.6 per cent. Beyond food and energy prices, the "core" index rose 0.1 per cent, half what market analysts had expected.

Wholesale prices have been fluctuating sharply, but the March increase means the annual rate of increase in the first quarter is 2.8 per cent. March's rise follows a 0.2 per cent decline in February and a 0.3 per cent rise in January. Analysts had expected a 0.4 per cent rise for March.

"We don't see the link between this economy and inflation," said Mr Jack Ablin, senior fund manager for The Private Bank at the Bank of Boston. "Productivity is good; unit labour costs are coming down."

Mr Don Hilty, senior fellow at the Economic Strategy Institute, said the market is looking for early signs of inflation, but it has not traditionally been signalled by sudden jumps in prices. "Usually inflation is insidious. It picks up slowly and all of a sudden it's here."

Although many economists are nervously eying diminishing world grain stocks, Mr Ablin and Mr Hilty dismissed concerns about food prices.

In its monthly report for April released yesterday the US Agriculture Department forecast that corn and wheat stocks, already estimated at some of the lowest levels this century, would shrink even further by the autumn.

Commodities, Page 28
World stocks, Page 44

THE LEX COLUMN

A merger too far

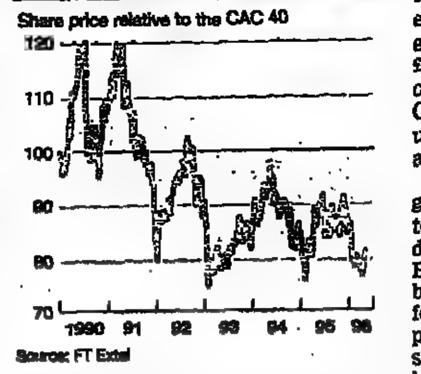
Union Bank of Switzerland's robust rejection of CS Holding's proposal to merge the two big Swiss banks should close the door quite firmly. This is no great surprise; the idea looked outlandish from the start, given the monopoly problems for retail banking – not to mention the social and political implications of the resulting job losses – and the pain of joining largely overlapping investment banking businesses.

Credit Suisse has come off rather badly. By tacitly admitting the extent of its problems, it could have put itself into play. Its salvation may be that it is almost impossible to take over – because it is big and because it is Swiss. The same is true of UBS. All this, of course, is of little comfort to the group's long-suffering shareholders.

FT-SE Eurotrack 200: 1691.7 (-8.9)

Lyonnaise des Eaux

Share price relative to the CAC 40



Source: FT Extel

J.P. Morgan

J.P. Morgan's creation of a top-notch investment bank is proceeding at speed. Of course, yesterday's 72 per cent jump in net income reflected record trading profits from an active bond market – trading revenues grew 150 per cent, with the lion's share coming from bonds. Nonetheless, investment banking revenues grew to $201m, with a substantial increase in underwriting fees, and the bank has a large backlog of deals.

The transformation has fuelled a rapid rise in expenses, but the management finally seems to have got costs under control; non-salary expenses remained flat during the quarter and staff numbers have been cut by 1,000 over the past year.

The overall performance was held back because the bank made a mess of its asset and liability management in the US, resulting in a $104m decline in interest income. However, this looks like a one-off. Given the prospect of rapid earnings growth over the next two years, the morose stock market reaction looks misguided.

Lyonnaise des Eaux

Lyonnaise des Eaux has a long way to go, but at least it is starting to talk a language investors understand. The good news comes in three parts. First, the company has adopted an explicit return on equity target, of 10-15 per cent. This may be neither very testing nor very specific, but it is better than nothing. Second, Lyonnaise is pulling out of property development and, having started early, appears to have taken the pain of its exposure to the French property market. Third, the company is slowly shedding some superfluous assets. Lyonnaise has already pulled out of OGF Funerals and Westburne, a Canadian electrical distributor; its holding in Brochier, a disastrous German construction group, has been sharply reduced. In addition Bank Hydroénergie and large parts of the property portfolio are to be sold.

So far, so good. Of course, by Anglo-Saxon standards Lyonnaise is still a sprawling, unfocused conglomerate; its large cable television business, for instance, has precious little in common with what Lyonnaise is best at – water. And given that operations like these are – sadly – unlikely to be sold in the short term, break-up valuations suggesting a 20 per cent premium to the share price should be taken with a pinch of salt.

Still, Lyonnaise's profit growth over the next few years should be comfortable enough to justify a share price of 14 times next year's earnings – in line with the market average. By comparison with Générale des Eaux, Lyonnaise's even more sprawling competitor, which trades on a similar rating, it even looks cheap.

Rentokil/BET

Rentokil's increased offer for BET is not the knock-out blow some institutions may have hoped for. But Rentokil has almost certainly done enough to win. Even after a sharp fall in its share price yesterday, Rentokil's improved cash-and-shares bid now stands at a small premium to BET's market price. And gross funds will be attracted to the fact that part of the revised offer is in the form of a dividend on which they can claim back tax.

Having said that, Rentokil could have helped its case by quantifying the immediate cost savings it expects from merging the two businesses – as Granada did with Forte. As it stands, shareholders in both companies have to take it on trust the deal will still be earnings enhancing at this level. On estimated cost savings of £15m to £20m in the first year it will be, but only just. That may explain why Mr Clive Thompson, Rentokil's chief executive, decided not to raise the offer any higher.

By pitching it at this level he has given BET the opportunity to fight on to the bitter end, a chance it seems determined to take. After a slow start, BET has mounted a spirited defence, backed by healthy profit and dividend forecasts. But its management record pales beside that of Rentokil. And its share price would undoubtedly fall back sharply should Rentokil's bid fail. Since this is what the institutions fear most, the final outcome does not seem to be in doubt.

UK housing

Now for some really bad news; the green shoots in the British housing market are showing disturbing signs of persistence. According to the Halifax index, prices have been rising for eight months in a row – and for the moment at least, the trend is accelerating. Even worse, first-time buyers – important because they represent additional demand, not just people moving from one house to another – are showing signs of life. This threatens just the sort of boost to inflation Britain could do without.

Of course, it may all be just another blip – it depends how badly scarred the British are by the traumatic house price falls of recent years. But conditions for a recovery are extraordinarily favourable. As a multiple of both incomes and rents, houses have become cheaper and cheaper. Negative equity levels are dropping sharply. With an election in the offing, interest rates are likely to remain low. Building societies are offering attractive deals – and competition is becoming more, not less, intense. With tax cuts and building society payouts in their pockets, house-owners may even be more willing to face up to the costs of moving.

None of this means a 1980s-style boom is on the way – nor even that recent sharp monthly increases will be sustained. But if present circumstances do not start house prices moving upwards again in real terms, nothing is going to.

Additional Lex comment on Amec, Page 26

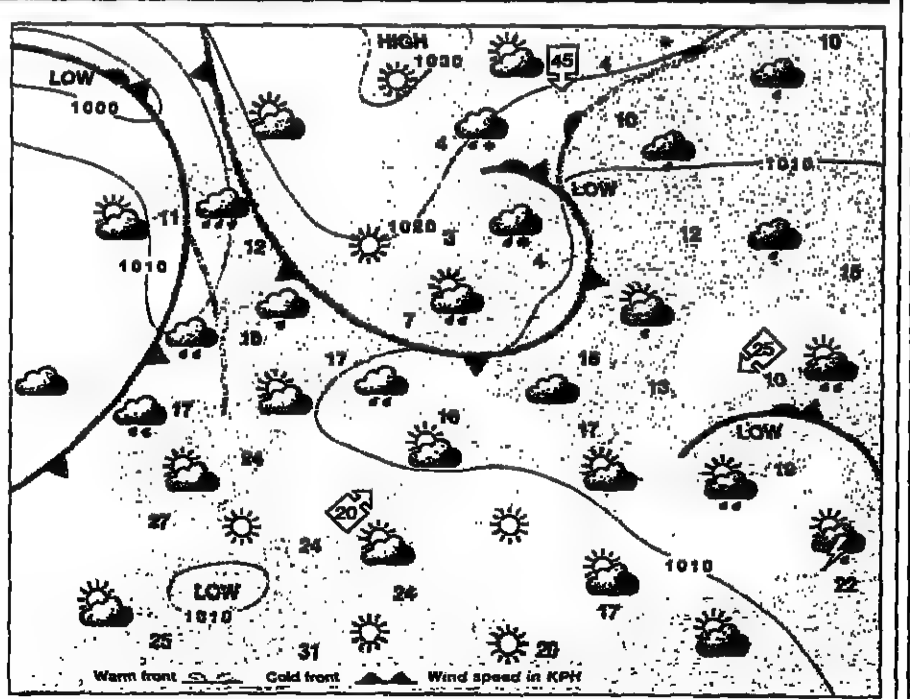
FT WEATHER GUIDE

Europe today

A surge of cold air from the polar regions will bring a wintry feel to much of northern Europe. Southern Scandinavia, northern Germany and Poland will be mainly overcast with occasional snow, sometimes mixed with rain. Austria will have snow above 1,000 metres. The cold air will reach as far as the Benelux but this region will remain dry. The boundary between the wintry conditions and mild air over southern Europe will extend from the British Isles to France for the next few days. Along this boundary, it will be overcast with showers. Spain and Portugal will be mostly sunny and almost summery. Italy and Greece will have sunny periods with showers and will remain rather cool.

Five-day forecast

The cold air will gradually retreat north after the weekend. It will be predominantly dry and sunny from the Benelux to Scandinavia. Snow and rain over Germany and Poland will move slowly into Russia, giving way to sunny periods and slowly rising temperatures. Spain and Portugal will continue to have summer conditions with temperatures above 25C in many places. After the weekend, the risk of showers will increase.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum			Beijing	cloudy	17	Caracas	fair	30	Faro	sun	21	Madrid	sun	24	Rangoon	fair	35
Celsius			Belfast	rain	11	Cardiff	rain	12	Frankfurt	fair	10	Majorca	sun	21	Reykjavik	shower	8
Abu Dhabi	sun	38	Belgrade	fair	10	Casablanca	cloudy	21	Geneva	drzzl	17	Malta	sun	19	Rio	fair	27
Accra	cloudy	33	Berlin	sleet	3	Chicago	rain	13	Gibraltar	fair	21	Manchester	drzzl	11	Rome	fair	19
Algiers	sun	23	Bermuda	fair	21	Cologne	sun	10	Glasgow	rain	7	Manila	cloudy	34	S. Frsco	fair	18
Amsterdam	sun	9	Bogota	thund	19	Dakar	fair	29	Hamburg	fair	2	Melbourne	fair	20	Seoul	sun	14
Athens	fair	17	Bombay	sun	33	Dallas	sun	26	Helsinki	fair	5	Mexico City	sun	21	Singapore	thund	32
Atlanta	sun	26	Brussels	cloudy	11	Delhi	hazy	35	Hong Kong	rain	18	Miami	sun	27	Stockholm	cloudy	3
B. Aires	fair	26	Budapest	cloudy	12	Dubai	sun	34	Honolulu	fair	32	Milan	cloudy	19	Strasbourg	rain	12
B.ham	shower	10	C.hagen	sleet	2	Dublin	rain	12	Istanbul	drzzl	13	Montreal	cloudy	9	Sydney	shower	19
Bangkok	thund	38	Cairo	fair	22	Dubrovnik	cloudy	16	Jakarta	shower	32	Moscow	drzzl	8	Tangier	cloudy	21
Barcelona	sun	19	Cape Town	sun	26	Edinburgh	cloudy	7	Jersey	drzzl	12	Munich	rain	6	Tel Aviv	shower	18
									Karachi	sun	35	Nairobi	fair	27	Tokyo	fair	13
									Kuwait	shower	33	Naples	fair	17	Toronto	cloudy	12
									L. Angeles	sun	21	Nassau	fair	28	Vancouver	rain	13
									Las Palmas	fair	22	New York	fair	19	Venice	shower	16
									Lima	sun	23	Nice	shower	20	Vienna	drzzl	9
									Lisbon	cloudy	21	Nicosia	shower	20	Warsaw	sleet	3
									London	cloudy	11	Oslo	snow	5	Washington	fair	26
									Lux.bourg	cloudy	11	Paris	cloudy	13	Wellington	fair	19
									Lyon	cloudy	18	Perth	cloudy	22	Winnipeg	cloudy	8
									Madeira	shower	19	Prague	cloudy	4	Zurich	rain	11

صكنا من الاصل

مكتبة الاجيال

FINANCIAL TIMES
COMPANIES & MARKETS
Friday April 12 1996

IN BRIEF

Lyonnaise des Eaux posts 15% decline

Lyonnaise des Eaux, the French utilities, construction and communications group, reported net income down 15 per cent to FFr906m ($178m) for 1995 after restructuring in several of its subsidiaries. Page 23

Infogrames to merge with UK group
Infogrames Entertainment of France is to acquire Ocean International of the UK in a share-swap deal valued at about $100m, creating Europe's biggest interactive computer games company and one of the top five in the world. Page 22

Ashanti in agreed bid for Golden Shamrock
Ashanti Goldfields of Ghana, the mining company in which Lonrho of the UK holds a 37 per cent stake, concluded its third large deal in four months when it announced an agreed US$290m share exchange offer for Australia's Golden Shamrock Mines. Page 24

Time Warner agrees internet link
Time Warner, announced an agreement to link Pathfinder, its extensive news site on the internet's World Wide Web, to CompuServe, one of the largest online information services, in a deal aimed at drawing more users to both services. Page 25

New Rentokil bid 'likely to succeed'
The biggest current takeover battle in the UK seemed to have been decided after institutional investors in BET said that Rentokil was likely to succeed with its revised offer for the rival business services group, which values BET at £2.1bn. Page 26

Amec reassesses housing side
Amec, the UK construction group which last year fended off a £360m ($547m) hostile bid from Kvaerner, the Norwegian shipbuilding and engineering group, said it would not put its housebuilding business on the block in the near term. Page 27

India heads for record sugar exports
India, the world's largest sugar producer, is trying to tackle a growing surplus by exporting a record quantity of the commodity in the current season, which ends in September. Page 28

ING Bank to open in Istanbul
ING Bank, part of the Netherlands-based ING Group, said it had received a full banking licence to operate in Turkey, allowing it to open a branch office in Istanbul.

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Berliner Kraft	412	–	7
CKAG Col Pr	890	–	15
Goldschmidt	510	–	10
SAP AG	175	–	8.5
VEW	480	–	8
NEW YORK ($)			
Rises			
Giant Inds	15	+	1⅞
Safeway	29⅝	+	1⅛
Falls			
Aames Fin	40	–	2⅞
Lowes Co's	29½	–	3¼
Student Loan	72	–	4⅝
The Talbots	30½	–	4¼
LONDON (Pence)			
Rises			
Albion	67	+	5
Manchester Utd	346	+	22
Micro Focus	853	+	120
Party	236	+	14
Sentry Farming	251	+	33
Falls			
Hse of Fraser	175	–	14
TORONTO (C$)			
Rises			
Dia Met Mnr B	21¼	+	1¼
Gen Minerals	4.65	+	1.15
Hemlo Pac	12¾	+	1⅛
Precision A	26½	+	1
Falls			
Bovar	32	–	3
Fulcrum	52	–	3¼
PARIS (FFr)			
Rises			
Immobanque	749	+	17
Lyonn des Eaux	495.4	+	19.4
Radiotechn	540	+	45
Falls			
Gen de Eaux	521	–	16
Michelin B	243.7	–	8.1
Rhn Poulenc A	129.6	–	4.1
TOKYO (Yen)			
Rises			
Cosmo Oil	687	+	39
Daishowa Paper	1010	+	53
Kanematsu	525	+	35
Mori Seiki	2250	+	160
Seibu	405	+	30
Falls			
Keio Teito	623	–	32
HONG KONG (HK$)			
Rises			
Easyknit Intl	3.725	+	0.175
Far East Hds	2.075	+	0.125
Intl's Intl	0.9	+	0.1
Oriana Hldgs	2.75	+	0.075
Falls			
Giordano Intl	7	–	0.4
New World Dev	34.9	–	1.4
BANGKOK (Baht)			
Rises			
Fancy Wood	28.5	+	2.5
Goodyear	169	+	15
Thaimex Fin	77	+	5
White Group	33.25	+	5
Falls			
Pan Chemical	49.25	–	5.25
Surapon Foods	77	–	5.5

New York and Toronto prices at 12:30.

Paper group warns of halved profits

By Greg McIvor in Stockholm

Metsä-Serla, the Finnish pulp and paper group, yesterday disclosed that profits in 1996 would be less than half last year's figure of FM1.91bn ($412m), underlining the rapid downturn in the forestry sector amid a steep decline in pulp prices.

The warning came as two big US paper companies, Boise Cascade and Georgia Pacific blamed lower prices for big falls in their first-quarter profits, joining the trend set earlier this week by International Paper and Champion International. Another international paper group, Jefferson Smurfit, cautioned that the downturn in the worldwide paper market could extend into 1997.

Mr Timo Poranen, Metsä chief executive, told the annual meeting that the weak trend in the forest products market, reflected in high pulp stocks and falling prices, had adversely affected the company's performance in the early part of 1996.

Mr Poranen said the trend could not be reversed without a substantial decrease in stocks, which is not expected to occur until the second half of this year.

The company warned in February that the surge in prices which underpinned its 1995 figures had faltered, adding that price reductions for some paper grades suggested the business cycle had peaked in the third quarter of 1995.

The market had expected a smaller profits drop, to about FM1.2bn, but Metsä's shares closed up FM1.5 at FM146.

The announcement highlighted the difficulties of subdued demand, increasing overcapacity and growing stocks which leading forestry companies face.

Prices of long-fibre pulp have fallen to $525 a tonne from a peak of $1,000 in November, while pulp stocks in the North American-Scandinavian market have risen to 2.5m tonnes.

With the international market already suffering from overcapacity in key grades such as pulp and coated magazine papers, Metsä is due to open a wholly-owned fine paper machine at Kirkniemi in August.

Its Rauma pulp mill, in which it has a 28 per cent interest alongside its parent company, Metsäliitto, and Finnish competitor UPM-Kymmene, came on stream only last month.

In addition, US producers have been increasing capacity at twice the rate of economic growth, adding to excess capacity and further depressing prices.

Metsä declined to indicate whether it was making losses in any areas but said a 20 per cent fall since late 1995 in the price of printing paper – an area that accounts for 40 per cent of its turnover – was a prime cause of its poorer performance.

US paper results, Page 25

JP Morgan rises on derivatives rebound

By Richard Waters in New York

A surge in trading profits lifted earnings at J. P. Morgan during the first three months of the year, reflecting in part a rebound in the derivatives markets after a quiet 1995.

However, the US bank's shares slipped 3 per cent during the morning, reflecting the recent slide in the shares of banks that depend on profits from the financial markets. At lunchtime in New York, J. P. Morgan was down $2¼ at $76⅞.

J. P. Morgan's trading desks generated $758m in the first quarter, despite the increasing volatility in the stock and bond markets this year. The instability actually helped earnings, as it raised demand for derivative instruments, used by companies and investors to modify their financial risks.

Trading profits in the most recent quarter were double the average quarterly income of $377m last year, and beat the record $550m a quarter that J. P. Morgan made in 1993, when bond markets were soaring.

J. P. Morgan also registered a sharp rise in investment banking revenues on the back of strong underwriting and takeover activity in the US and Europe. Its income of $201m from these areas compared with $114m in the same period a year before, and $158m in the final three months of last year.

These were the main factors behind a jump in total revenues, which reached $1.74bn, compared with $1.39bn a year before.

Meanwhile, recent efforts to hold down cost growth showed signs of success. At the end of March, the bank employed 15,431 people, about 1,000 fewer than a year before, while its technology costs have been cut. The jump in revenues, though, led to higher bonus costs, lifting total operating expenses 8 per cent, to $1.1bn.

The stronger trading results helped J. P. Morgan to beat analysts' expectations for the period. Net income reached $439m, or $2.13 a share, up from $255m, or $1.27 a share, the year before.

● First Union, one of the US's biggest regional banking groups, registered a 31 per cent fall in net income, to $343m, as it took after-tax restructuring charges of $181m related to its acquisition of First Fidelity.

Had it not been for the charges, the New Jersey-based bank would have recorded a 20 per cent increase in earnings.

Lex, Page 20

Daimler promises 'further tough decisions'

By Wolfgang Münchau in Stuttgart

Daimler-Benz, the German transportation group, yesterday pledged to take "further tough decisions" this year as part of a wider programme to restore the lossmaking company to profitability.

Mr Jürgen Schrempp, chairman, said at the company's annual news conference that it "was making good headway" but organisational and cultural change within the group would continue this year.

He gave no details of any specific measures but it is widely thought the group is considering the future of MTU, the aero-engine maker, and Dornier, the regional aircraft manufacturer.

The 1995 results – showing a net loss of DM5.7bn ($3.83bn) on a turnover of DM103.5bn – had been released earlier this month. The company yesterday gave a moderately optimistic forecast for 1996. First-quarter turnover was up 7 per cent to DM23.6bn compared with last year.

Mr Manfred Gentz, chief financial officer, did not release the income figures for the first quarter, but said profits had been satisfactory. It had already been announced there would be no dividend this year.

The company's most successful division was Mercedes-Benz, the luxury car and truck manufacturer, which had revenues of DM72bn last year and net income of DM2.28bn, up 43 per cent.

After last year's launch of the new E-class mid-sized cars, Mercedes' most important passenger car, the company will this year start the release of a series of trucks which it hopes will help solve the competitive problems the company faces in western Europe against its Scandinavian competitors.

Mr Helmut Werner, Mercedes chairman, attacked the German government, which earlier this year introduced a company car tax based on the value of the car.

He said the tax would cost 12,000 jobs in the car and component industry in Germany and amounted to "an insult to the alliance for jobs", a nationwide programme to secure existing jobs and create new employment.

Mr Schrempp yesterday tried to end rumours of a rift between him and Mr Werner, insisting that "we badly need Mr Werner in the management board", and denying suggestions Mr Werner would move to the company's supervisory board.

For the current year, Daimler has budgeted for a dollar exchange rate of DM1.40. Mr Schrempp said the recent strengthening of the dollar was welcome, but added that this would not deflect from the company's efforts to cope on the basis of a permanently low dollar rate.

Last year, the strengthening of the D-Mark against other currencies cut revenues by DM4.6bn and net income by DM2.4bn.

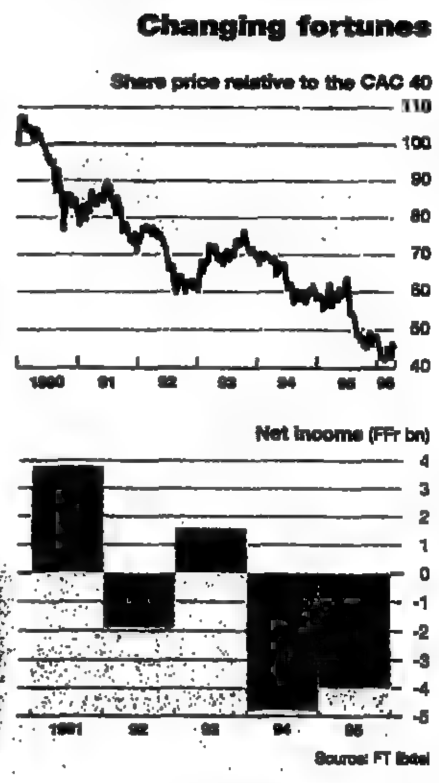
Daimler's operating loss for the year was DM1.1bn, against a profit of DM2.7bn in 1994. The operating loss is made up of a loss of DM1.2bn in the first half, and a small profit in the second.

The net loss of DM5.7bn is the same under German accounting standards as under US General Accepted Accounting Principles. The company currently presents its results in both formats but will use US GAAP exclusively next time.

The DM5.7bn loss includes a DM2.3bn exceptional charge relating its withdrawal from Fokker, the bankrupt Dutch regional aircraft manufacturer, and a DM1.6bn charge for the dismantling of AEG, the industrial group. The rest stems from the operating loss and provisions to cover future risks.

The French industrial group is fighting back but faces tough challenges

Doubts about Suez hang in the air



At a presentation on Wednesday, Suez, the flagship French industrial holding company, showed a film emphasising its strengths before unveiling 1995 losses of FFr4bn ($800m).

The idea was understandable, but it was suitably symbolic of the tough challenges ahead and the group's recent troubles, that when the pictures began to roll, the soundtrack failed. On a second attempt, the sound began without the pictures.

In the last 10 months, Mr Gérard Mestrallet, the new chairman, has undertaken ambitious asset sales, appointed new management and announced restructuring plans. Yet many observers remain sceptical about Suez surviving in its current form.

Mr Mestrallet, who was previously credited with turning around Société Générale de Belgique (SGB), the Belgian holding company controlled by Suez, took over from his predecessor in a spectacular way. The leading shareholders held a vote of no-confidence in the then chairman – Mr Gérard Worms – at the annual meeting last summer, swiftly forcing his resignation.

In his new role, Mr Mestrallet has moved quickly. On paper at least, his achievements to date look impressive.

Early on, he stressed that Indosuez, the group's banking arm which was heavily demoralised, would not be sold. Instead he replaced the chief executive at the start of this year, and focused the bank on its traditional strengths as an investment bank geographically concentrated in Europe and Asia. He approved the sale of Gartmore, the UK-based fund management company which duplicated activities being carried out elsewhere in the group.

Mr Mestrallet actively pursued Mr Worms's decision to pull out of insurance activities, and to withdraw completely over the next few years from the property sector. The number of staff in the holding company in Paris has been reduced by more than half to 80 people.

He has also simplified Suez's structure, splitting it into five poles of activity: Banque Indosuez; Société Générale de Belgique; Crédisuez, which holds its property interests; Suez Investisseur, containing its industry participations and capital development business; and other specialist financial institutions, including two small banks.

This week's losses are not as bad as they might first seem. Most covered restructuring provisions, and had been taken during the first half of the year. They include charges against the bank's property portfolio as it is run down. Given the sale of Gartmore, which will lead to a capital gain of FFr1.3bn, Mr Mestrallet should have little difficulty in meeting his projection that the group will return to profits in 1996, in spite of his own warning that there may yet be the need for further property provisions.

However, many of the criticisms levelled against Suez last year linger on, and help to explain why the group's share price continues to languish below the value of its net assets.

The French stock market tends to penalise all conglomerates and holding companies, frowning on their ability to improve shareholder value. But Suez is a particular target for suspicion, given its diverse investments in everything from banking and consumer credit to electricity supply and mining.

The group's mission statement published this week reflects this lack of focus. Its aim is to "to develop, from its centre, companies of European size capable of meeting global competition, and to support their development in the medium-term".

Suez is also at the centre of a series of cross-shareholdings, with large reciprocal stakes and board seats in UAP, the insurer; St Gobain, the glass and construction materials group; and Elf Aquitaine, the petroleum group. This structure, say the critics, can impede tough decisions which might harm others within the system. At the very least, it locks up much of Suez's money in illiquid, poorly-performing investments.

Mr Mestrallet acknowledges that cross-shareholdings are not ideal and simply a transitory system in a country with only limited pension funds or alternative large investors. But he has shown little sign of reducing the inter-dependence of the group's key investors.

"Things are moving at a faster pace than under Gérard Worms, but there is no logic behind Suez," says Mr Pierre Flabbée, an analyst with Société Générale. "I don't believe the group will last."

In spite of Mr Mestrallet's messages to the contrary, many believe that Indosuez is still a potential candidate for sale. Other bits of Suez remain vulnerable to a takeover.

Andrew Jack

Grupo Santander expands in Chile

By Imogen Mark in Santiago

Grupo Santander of Spain is to merge its Chilean banking operations with those of Banco Osorno to create Chile's biggest financial institution, with total assets of $7.9bn.

Santander's Santiago-based investment company will buy a controlling stake from the main shareholder group in Osorno, which owns 65 per cent of the stock.

Santander will pay an estimated $495m to acquire 51 per cent of the total stock of Osorno as part of its plans to merge the two groups. It will have a 75 per cent stake in the merged bank.

News of the deal took the Santiago market by surprise, though analysts had noted a rise in the volume of trading in Banco Osorno's shares in the past two to three weeks.

Osorno is number four in Chile in terms of its loan portfolio, which totalled $2.9bn last year and gave it a 7.6 per cent market share, according to Ms Ida Longeri, bank analyst at Larrain Vial, a leading Santiago brokerage.

She said Osorno was well-placed as a lender to small and medium-sized businesses, one of the more dynamic sectors of the banking industry, which accounted for 66 per cent of its loans and 57 per cent of its interest-earning business.

Osorno had trailed in the fast-growing consumer credit sector, and it had only recently launched into this with a new division in December, she said.

Another weakness was in cost control, where the bank's administrative costs were higher than the industry average, said Ms Longeri.

The publicly-held shares of Osorno, which will represent 18.3 per cent of the new bank, will continue to trade in Santiago and New York.

The former controlling group will continue to hold the other 7 per cent.

The market value of the new institution will be $1.7bn, based on the value of the Osorno's closing price in New York, $15 per American Depositary Receipt, on Tuesday.

The new bank will operate as Banco Santander Chile. The estimated cost of the restructuring is $20m, but Mr Emilio Botín, Grupo Santander's chairman, said there would be cost savings of $30m a year from the merger.

Santander Chile is among the top half-dozen Chilean banks and its management is highly regarded.

The merger is subject to the approval of the shareholders of both banks, and of the Chilean regulatory authorities.

If all goes as planned, the deal would be closed in the next few months. Shareholder meetings are scheduled for May.

COMPANIES AND FINANCE: EUROPE

Merger rejection could put suitor in play

Ian Rodger looks at the implications of UBS's rebuff of a merger with CS Holding

Even though Union Bank of Switzerland has poured cold water on the proposal from CS Holding of a merger, the question arises as to whether one or both of these big and globally active banks is now available to other possible partners.

There are compelling arguments for big banks combining forces these days, some of which were put forward in the statement published by CS at the beginning of the week.

"The challenges thrown up by the globalisation of financial services and the continuing restructuring process within Switzerland's banking industry demand far-sighted solutions," the statement said.

Both banks have significant business weaknesses that could be filled by alliances with others. UBS, for example, is weak in investment banking in the US; CS has no strength in equity distribution within Europe. Both also have succession problems at the senior executive level, with too few younger people demonstrating exceptional promise.

Merger advances rejected

A merger or takeover involving CS would appear the more plausible, if only because UBS's large market capitalisation puts it out of range of most potential bidders. However, UBS share prices have been buoyed by a long-running proxy battle. If, as many suspect, this battle takes a decisive turn at next Tuesday's AGM, the bank's value might ease to a more attractive level. Also, as a result of the proxy battle, UBS's shares are more closely held than those of CS.

For the potential bidder, the main attraction of both banks is their huge Swiss-based private banking businesses. Neither bank publishes figures on this lucrative activity, but a Swiss business newspaper, Handelszeitung, has estimated their combined funds under management at SFr875bn ($725.6bn). UBS alone is generally acknowledged to have the larger portfolio, probably worth SFr500bn.

For a European bank, another attraction of CS would be its First Boston investment banking subsidiary in the US. CS is the only European bank that has succeeded in acquiring a significant US investment banking presence while maintaining its status as a commercial bank in the US.

In its Credit Suisse Financial Products subsidiary, CS also has one of the global leaders in the fast-moving derivatives business. Last year, it achieved net income of nearly SFr300m.

Through its main subsidiaries, Credit Suisse and Swiss Volksbank, CS is the market leader in most Swiss retail banking markets, but that would be attractive only to someone with a lot of patience. Switzerland is overbanked, and net interest margins have rarely exceeded 1 per cent.

However, financing the necessary rationalisation could be helped by selling off the group's 46.3 per cent stake in Elektrowatt, a Swiss electricity generating and engineering company.

A big question is whether a significant foreign presence in Swiss banking would be acceptable to the Swiss. In law, there is no obstacle to foreign takeovers, but the cases of banks having a significant retail presence in a foreign country are still very few. Indeed, CS itself experienced the protectionist passions that can be aroused by such an idea when it proposed two years ago acquiring Austria's Creditanstalt-Bankverein.

There is also a technical issue. If a Swiss bank becomes foreign controlled, it is no longer allowed to use the word Swiss in its name.

CS appears to be anticipating that eventually through the use of the acronym in its name, and UBS is widely expected to go the same way within the next few years.

Questions remain unanswered for CSFB

The decision by UBS to rebuff a merger approach from CS Holding has left feelings of relief among UBS's investment bankers, but leaves unanswered questions for CS First Boston, CS Holding's investment banking business.

The main motivation for CS's approach may have been the cost savings through rationalisation of their domestic retail banking networks, but the deal would also have strengthened the investment banking business.

With its failure, CSFB is now expected to consider smaller acquisitions to fill gaps in its range of products.

While UBS bankers acknowledge CSFB's edge in core businesses such as primary issues and mergers and acquisitions, they were also alarmed by the possible culture clash. Viewed from UBS's side of the street, CSFB had a more American culture with a comparatively short-term, more aggressive and more entrepreneurial outlook.

Several CSFB bankers, on the other hand, had been looking forward to the additional strength UBS would have brought, particularly in equities, and saw themselves as very much the dominant partners in the investment banking marriage.

At first sight, CSFB would seem in little need of radical management action. The CS group was ahead of its commercial banking competitors in developing an investment banking business. In 1978, Credit Suisse formed a joint venture with First Boston, a US investment bank; in 1988, First Boston was subsumed into the joint venture. Only last year did counterparts such as Dresdner Bank of Germany make their investment banking acquisitions.

In 1995, its European M&A department under Mr Stephen Hester worked on deals such as the £1.6bn ($2.4bn) bid by Central & South West for Seeboard, the UK regional electricity company. CSFB also won the appointment to act as global co-ordinator on the privatisation of Eni, the Italian energy group.

But CSFB, which was once one of a select band of truly international investment banks, faces new rivals in the continental European banks, which have acquired investment banking operations, and US investment banks, which are expanding in Europe.

Some businesses – such as derivatives and investment management – which are usually part of investment banks are in other parts of the CS group, making comparisons difficult. Nevertheless, CSFB's profits are a fraction of those of competitors such as Morgan Stanley and Goldman Sachs.

Executives say the firm is "light" on its European stockbroking capability. While it has proved it can win mandates on equity issues, it lacks the sales, trading and research which would secure its position as a leading European equities house.

UBS, on the other hand, has built on Phillips & Drew, the UK broker it bought a decade ago, and now ranks alongside SBC Warburg as one of the leading equities brokers in Europe.

Since that acquisition, UBS has taken a much slower approach to developing its international investment banking business than its Swiss rival, concentrating on building its activities by recruitment and internal training.

Although widely tipped as a potential bidder for Lehman Brothers, the US investment bank, it has consistently turned down opportunities to acquire a ready-made investment banking business in either the US or Asia.

The bank now feels that it has begun to break into the top tier. It has begun to win lead mandates for global bond issues, rather than just co-leads, and has steadily built its primary equities business – partly by recruiting from CSFB.

But UBS has not yet returned a definitive rebuttal to criticisms made by Mr Martin Ebner, the bank's rebellious shareholder, of its relatively low profitability. While much of the problem lies with the domestic banking network, some can be attributed to its wholesale banking business, which London analysts argue includes too much low yielding interbank and corporate debt.

Nicholas Denton and George Graham

Infogrames in $100m merger with UK group

By Paul Taylor

Infogrames Entertainment of France is to acquire UK-based Ocean International in a share-swap deal valued at about $100m. The move will create one of the five largest interactive computer games companies in the world.

Infogrames also announced plans for a rights issue to raise between FFr200m and FFr250m ($39m-$49m) in the next few weeks. About FFr100m of this will be used to strengthen the expanded company's balance sheet, with the remainder used to finance new software production.

The deal, structured as a merger between the two companies, signals a further significant consolidation in the fiercely competitive electronic games market, which is worth an estimated $14bn a year.

The combined company will employ more than 500 professionals trained in the creation of interactive software, and aims to achieve a turnover of more than FFr700m in the current financial year.

Mr David Ward, chairman of Ocean, said the company considered a Nasdaq flotation as an alternative to the deal with Infogrames. However, he said the merger should provide the company with access to the capital it required to expand the business.

Mr Ward also noted that the two companies had complementary product lines "with virtually no overlap".

Ocean's shareholders will receive one share in Infogrames for every 32 Ocean shares held. This will involve issuing 404,545 new Infogrames shares, representing 22.6 per cent of the fully diluted equity.

Infogrames, which posted a net profit of FFr20m in the year to June 30 on turnover of FFr262m, is a leader in developing software based on cartoon characters such as Tintin, Asterix and the Smurfs.

On a pro-forma basis, Ocean suffered non-recurring losses on consolidated turnover of FFr275m last year.

Lyonnaise des Eaux shows 15% decline

By Andrew Jack in Paris

Lyonnaise des Eaux, the French utilities, construction and communications group, yesterday reported net income down 15 per cent to FFr906m ($178m) for 1995 after restructuring in several of its subsidiaries.

Operating income was up 1 per cent at FFr4.2bn, after a fall in operating costs from FFr93.7bn to FFr93bn and a drop in provisions and depreciation charges from FFr5bn to FFr4.6bn.

However, the result was dragged down by costs including exceptional charges of FFr508m, compared with exceptional gains last time of FFr116m. The expenses included restructuring at Elyo, its energy production business, and at Brochier, the German construction group in which it held 39 per cent.

Group turnover for the year was down 1.4 per cent to FFr98.6bn, although at constant exchange rates and in comparable terms, executives said the figure rose 1.7 per cent.

Mr Jérôme Monod, chairman, said behind the "superficial impression" of stability given by the 1995 figures, the group was proving its ambition to be a leading international company in water management, with a "compact and diversified" construction business and a "credible presence" in television.

He said his objective over the next three years was to improve profitability, converting the 1995 level of an 8 per cent return on equity into one above 10 per cent, and as near to 15 per cent as possible.

Net profits from its services division – including water treatment and distribution – rose 7 per cent to FFr1.4bn, and construction profits more than doubled from FFr99m to FFr211m. Other activities, including its communications businesses, showed losses of FFr243m, against FFr300m, while at Brochier losses deepened from FFr20m to FFr432m.

Just over 55 per cent of group sales came from within France, with 21 per cent from elsewhere in Europe, 16 per cent from the US, and 4 per cent each from Australasia and the Middle East and Africa.

Activity outside France will be boosted this year by the contributions from Northumbrian Water of the UK, the takeover of which was approved by the British authorities in late-1995.

Lyonnaise also announced yesterday that Crédit Agricole, the French mutual banking network, had acquired 3.3 per cent of its shares, accounting for 4.8 per cent of the voting rights. This makes it the third largest investor after Suez, the industrial and financial holding company, and UAP, the French insurance group.

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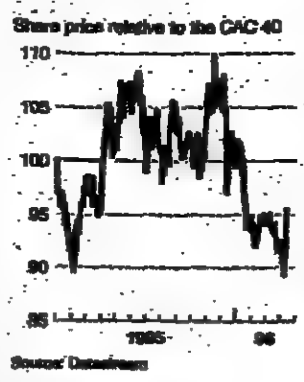
Lyonnaise des Eaux

Share price relative to the CAC-40



Source: Datastream

AP Moller advances to DKr2.79bn for year

By Hilary Barnes in Copenhagen

A. P. Moller, the shipping and oil and gas group which is Denmark's largest business group by both sales and market capitalisation, increased pre-tax profits from DKr2.56bn in 1994 to DKr2.79bn ($482m) last year.

Profits after tax were up from DKr1.8bn to DKr1.59bn while turnover slipped from DKr29.79bn to DKr28.51bn, mainly because of foreign exchange movements.

Gross profit before depreciation increased from DKr5.01bn to DKr5.58bn and profits after depreciation rose from DKr1.79bn to DKr2.26bn.

The group's twin parent companies, Dampskibsselskabet Svendborg and Dampskibsselskabet af 1912, both listed on the Copenhagen Stock Exchange, propose to increase dividends – from DKr525 to DKr600 a share at Svendborg, and from DKr750 to DKr900 a share at 1912. This increases the total payout from DKr225m to DKr264m.

The group said that 1995 was a "demanding and challenging year" for its worldwide shipping operations, best known under the Maersk name, but there was a marked improvement by the Maersk Line container shipping operations and improved markets for dry cargo and auto carrying vessels.

The shipping business increased profits from DKr974m to DKr1.16bn, although gains from ship sales fell from DKr613m to DKr457m. Turnover in the shipping business was down from DKr26.17bn to DKr24.89bn.

Maersk Line took delivery in January of the world's largest container carrying vessel, the first of 12 sister ships being built by Moller's Odense Steel Shipyard.

Moller is the operating company in a consortium with Shell and Texaco which produces oil and from the Danish sector of the North Sea. Production increased from 9.2m tonnes to 9.3m tonnes of crude oil last year, while gas production rose by 9 per cent to 4.7bn cu m.

Moller's share of profits from the oil and gas consortium, before hydrocarbon tax, was virtually unchanged at DKr1bn and the profit after tax rose by DKr7m to DKr212m. Turnover increased slightly from DKr3.37bn to DKr3.9bn.

The group said profits in shipping, before advances from ship sales, in 1996 would be in line with last year's, but lower after ship sales and taxes.

Oil and gas profits are also expected to be at last year's level.

Group assets at the end of last year were DKr42.2bn, DKr800m lower than in 1994, and equity capital was DKr22.29bn, a rise of DKr1.5bn.

Cockerill Sambre sharply ahead but warns of loss

By Neil Buckley in Brussels

Cockerill Sambre, Belgium's largest steel maker, yesterday reported a strong increase in net profits for 1995, but warned that slow growth in the Benelux countries, France and Germany, could lead to a consolidated loss for the first half of this year.

Group net profit for 1995 increased four-fold, from BFr807,000 to BFr3.2bn ($105.6m), due to the integration of east Germany's Eko Stahl group, which it acquired in January 1995, and extensive restructuring efforts in recent years.

All the group's divisions made a positive contribution, except construction, which broke even, and mechanical engineering, which reported a loss of BFr0.5bn.

Turnover, including Eko Stahl, increased 24 per cent from BFr166.6bn to BFr206.6bn. Stripping out the impact of Eko Stahl, turnover increased 5 per cent.

The group is proposing a gross dividend per preference share of BFr25.6, up from BFr10.4. This includes a 1995 dividend of BFr12, plus payment of BFr12 and BFr1.6 dividend arrears from 1993 and 1994 respectively.

Cockerill Sambre is in the final stages of a four-year cost-cutting and modernisation programme, involving investment of BFr22bn.

But it warned that much lower orders, reflecting slowing economic growth in its main European markets, and weak activity in the construction sector, could leave it in the red for the first half.

Eramet hoists dividend as net income increases 76%

By Kenneth Gooding, Mining Correspondent, in Paris

Eramet, the French group which is the world's biggest producer of ferro-nickel and high-speed steels, saw 1995 net income rise by 76 per cent, from FFr244m to FFr430m ($84.4m). The dividend is raised by 22 per cent, to FFr6.60.

This was the second year of strong growth – 1994 net profit was more than 100 per cent ahead.

Mr Yves Rambaud, chairman, said the group had made a satisfactory start to 1996 but "some caution seems appropriate" when looking ahead to the second half. He said 1996 first-half nickel sales volumes would be about the same as last year, but the average price would be lower. There would be a dip in the volume of high-speed steel sales from last year's high level but base prices would be slightly higher.

So far this year, "all the main factors – tonnages, prices and the value of the US dollar – have been similar to the averages for 1995".

Eramet hopes to add a third business to its operations by buying 48 per cent – and gaining operational control – of Comilog, one of the world's biggest manganese producers, for between FFr650m and FFr700m. About two thirds of the Comilog purchase would be paid for from cash flow and the rest from Eramet's own resources.

Turnover was up 21 per cent to FFr3.56bn. Nickel output was 4 per cent up at 52,342 tonnes, but sales slipped 2 per cent to 50,729 tonnes due to a severe second-half fall in demand.

See Commodities, Page 28

Domestic markets support Fortis rise

By Ronald van de Krol in Amsterdam

Buoyant results from its home markets were the main factor behind a 15 per cent increase in 1995 net profits at Fortis, the Belgian-Dutch financial services group.

The strong performance close to home more than outweighed a drop in results in the US caused by the health insurance sector and a loss in Australia due to higher provisions for claims from third-party motor vehicle insurance.

Group net profits rose from Ecu549m to Ecu631m ($506m), an increase which Fortis described as "even better than expected". Revenue was up 7 per cent at Ecu17.5bn.

The company, which is active in both banking and insurance, predicted that 1996 net profits would be clearly higher unless there were sharp fluctuations in either exchange rates or interest rates.

The group's two parent companies – Fortis AG of Belgium and Fortis Amev of the Netherlands, which own 50 per cent each of the Fortis group – said they would make a marked increase in their 1995 dividends. The Belgian company's dividend is to rise 12 per cent to BFr112 a share, while the Dutch company's payout is to be lifted 11 per cent to Fl 4.20.

Fortis Amev, the Dutch-based parent company, also announced plans for a five-for-two share split.

In the Netherlands and Belgium, the group reported sharply improved results in both insurance and banking. Total Belgian operating results rose by nearly 40 per cent to Ecu719m, while Dutch operating profits showed roughly the same rate of increase to stand at Ecu301m.

By contrast, US operating results fell from Ecu126m to Ecu90m. Fortis blamed this on a sharp decline in health insurance profits which resulted in a small loss for that sector. US life and non-life insurance activities posted increased results.

NEWS DIGEST

SAP moves to halt slide in share price

SAP, the German business software company, yesterday reacted to the recent slide in its shares by saying it would bring forward the announcement of its quarterly figures to next Wednesday from mid-May. It said it could see no reason for the fall in the shares, which closed DM7 lower yesterday at DM182, compared with a year's high of DM242.50.

Profit figures will be announced at a Frankfurt press conference at which Mr Dietmar Hoppe, chairman, will comment on developments of its R/3 software range. Analysts said the share price fall was partly a reaction to the sharp rise of the past two years and partly in response to reports that the next generation of R/3 might not be compatible with the present one. The company has said, however, it planned no software that would not be compatible with the current range but is developing further applications for R/3, including links with the Internet. *Andrew Fisher, Frankfurt*

Schneider turns in 20% advance

Schneider, the French electric equipment maker and construction company, saw net profit rise 20 per cent in 1995 thanks to improved sales and better operating margins at Schneider Electric. The company also said first-quarter orders at Schneider Electric were up 6.7 per cent.

The group's net profit advanced to FFr817m ($160m), against FFr679m in 1994, while sales rose to FFr59.4bn, up 6 per cent. First-quarter revenue at its ailing construction unit, Spie Batignolles, was up 2 per cent from FFr3.8bn to FFr3.9bn. Schneider said it would pay a net dividend of 4 francs a share, the equivalent of a 13 per cent increase as a result of free and new shares issued last year. *AP-DJ, Paris*

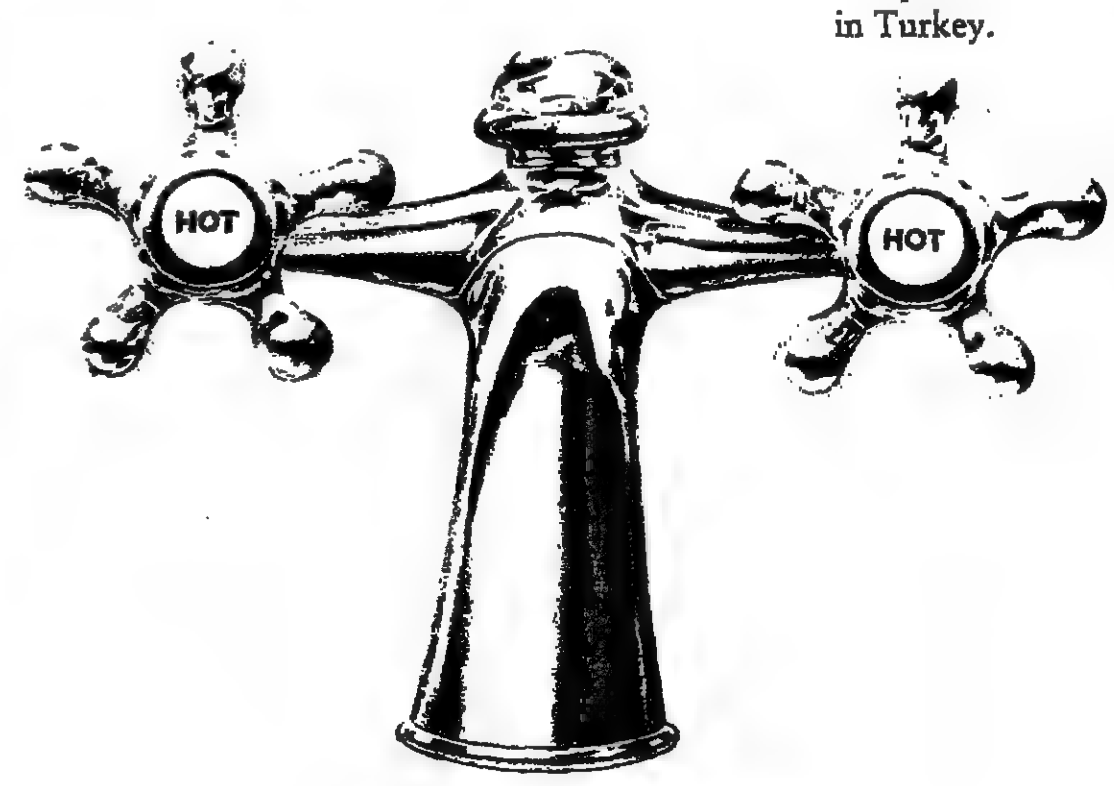
SAC surges to SFr50.2m

Swissair Associated Companies (SAC), the holding company for Swissair's catering, hotel and duty-free sales units, notched up a 52 per cent rise in net profit last year to SFr50.2m ($41.3m), from SFr33m in 1994. Sales rose 45 per cent to nearly SFr1.9bn, despite the dampening effect of the strong franc and weak consumer demand. SAC, which is wholly-owned by Swissair, said it was possible 1996 net profit could climb to about SFr75m. The parent company last week announced a loss of SFr147m for 1995 after heavy restructuring provisions. *Frances Williams, Geneva*

■ Bremer Vulkan, the German shipyard group that has sought protection from its creditors, yesterday approved plans to hive off its eastern German yards as part of a strategy to maintain them as going concerns.

The MTW Schiffswerft in Wismar and the Volkswerft in Stralsund will be transferred to a holding company set up by BvS, the government agency that is the successor to the Treuhand privatisation concern, and the state of Mecklenburg-Vorpommern with a view to later privatisation. A private sector partner is being sought for the Neptun Industrie works of Rostock, another part of the Bremer Vulkan group. *Peter Norman, Bonn*

■ Scandinavian Airlines Service yesterday agreed a package of measures, including a SKr1.4bn ($209m) capital contribution, designed to simplify its ownership structure – one of the most complex in the Nordic region. The plan involves a harmonisation of the Swedish, Norwegian and Danish holding companies which own SAS. The equity shares of the holding companies will be reorganised to reflect each ownership stake. A new capital contribution of SKr1.4bn by the three owners will be used to fund the SKr1.55bn purchase by SAS of their real estate holdings. *Greg McIvor, Stockholm*



Ashanti in agreed $290m offer for Australian group

By Nikki Tait in Sydney and Patrick Harverson in London

Ashanti Goldfields of Ghana, the mining company in which Lonrho of the UK holds a 37 per cent stake, yesterday concluded its third large deal in four months when it announced an agreed US$290m share exchange offer for Australia's Golden Shamrock Mines.

Ashanti's recent rapid expansion is seen by analysts as a defensive tactic against a possible takeover by Anglo American Corporation of South Africa, the mining group which holds a 6 per cent stake in Lonrho and is reported to be stalking Ashanti.

Last week, Ashanti unveiled a C$136m (US$100.2m) agreed offer for International Gold Resources of Toronto, and earlier this year it completed an agreed £80m (US$122m) purchase of London-listed Cluff Resources.

Although it is based in Melbourne and listed in Australia, GSM's main attraction for Ashanti is its African interests. The Ghana company said the aim was to sell off GSM's Australian assets over "an appropriate time-frame" and to integrate its west African interests into its own operations.

These include a 70 per cent interest in the Iduapriem open-pit goldmine near Tarkwa in Ghana – which is producing 120,000 oz-130,000 oz a year – and a 70 per cent stake in the Siguiri open-pit gold project, with an option to increase this to 85 per cent.

Last month, the Australian company announced that it was negotiating with US investors for a A$110m (US$85.5m) capital injection, mainly to secure financing for this project.

However, it said yesterday that "the change in the price of GSM shares" had caused the US investors to reconsider and the negotiations had been terminated.

Ashanti's advisers said yesterday that GSM's Australian interests, which take in the underground copper mine at Cobar in New South Wales and various exploration interests, would be sold in "a non-rushed way". The company also owns a 32.5 per cent stake in Ausdrill, the listed drilling contractor.

In the year to end-June, GSM made an operating profit of A$14.9m, down from A$25.5m in the previous 12 months.

The fall was blamed on disappointing output from Iduapriem and a one-off charge at Cobar.

The terms of the deal are one Ashanti share for every 22.5 GSM shares held, which, on Tuesday's closing prices, valued GSM shares at A$1.37.

In addition, shareholders will be offered one unlisted Siguiri Participating Interest (SPI) for every 22.5 GSM shares.

The SPI will make additional cash payments to holders if the proven and probable reserves and contained mined production at the project exceed 3m ounces.

Ashanti will also commit an immediate A$12.5m to assist GSM's west African development strategy – an investment which is not conditional on the merger plan going ahead.

Giordano shares hit by closure of more Chinese outlets

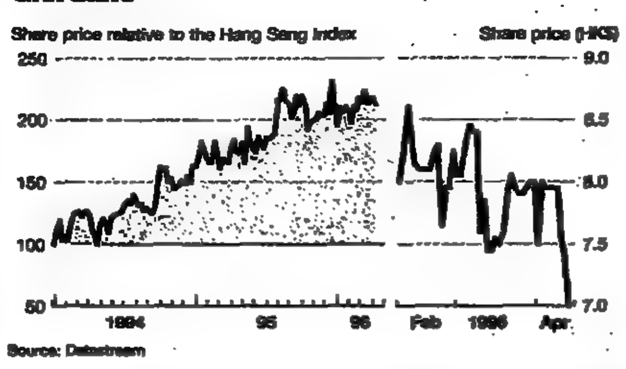
By Louise Lucas in Hong Kong

Giordano, the Hong Kong retailer, is to investigate reports that a further 20 of its 93 mainland stores have been closed down. It told the colony's stock exchange yesterday it would also seek to ascertain why 11 outlets in Shanghai were shut last month. The share price plunged more than 13 per cent in morning trade before rallying to close down 5.4 per cent at HK$7.

Rather than reassuring investors, the news has sparked a fresh volley of questions over the company's apparent lax control of its franchisees. There is also concern over the backlash from the anti-communist stance of Mr Jimmy Lai, founder of the company and, until last month, its leading shareholder.

In the past three days, the shares have fallen 11.95 per cent. Rumours that the 20 stores, on top of the Shanghai outlets, had been closed percolated through the market when trading resumed after the Easter break on Tuesday.

Giordano directly manages nine casual-wear stores in China, with the remainder run on a franchise basis. Last year, China was one of the group's three fastest growing markets, accounting for some 15 per cent of turnover. Its Beijing store has been closed since August 1994, ostensibly over a licensing technicality. Giordano told analysts the Shanghai stores accounted for less than 6 per cent of China sales; the Hong Kong stock exchange says they account for less than 1 per cent of total turnover.



The Beijing closure followed a virulent attack on Mr Li Peng, the Chinese premier, in Mr Lai's magazine, Next, in which he referred to Mr Li as a "turtle's egg".

Shortly after the article appeared, Mr Lai stepped down as chairman, and last year he cut his 36.4 per cent shareholding. In February he placed out his remaining 27 per cent stake in the company, with an estimated value of about US$180m.

Despite the severing of ties with Mr Lai, whose pro-democracy stance has often irked the Chinese authorities, investors believe Giordano may still be tarred with the anti-communist brush. Part of the reason the share price has been hit is, according to one analyst, "because investors cannot quantify what's political and what's just doing business in China".

Uncertainty has also sparked jitters. Management's inability to give a clear picture of the situation did not inspire confidence. Details of the investigation were only announced after the stock exchange spoke to Giordano on Wednesday.

Yesterday, Ms Alice Lip, company secretary, said the franchisees were widely dispersed throughout China, which made gathering information difficult. She hoped to have more details "by next week".

Trust Bank NZ merger speculation mounts

A statement is expected within a week, write Terry Hall and George Graham

Trust Bank New Zealand's shares soared to an all-time high yesterday after the bank warned shareholders not to sell before it issued a statement on the outcome of merger discussions.

Mr Peter Wilson, Trust Bank's chairman, said a statement was likely to be issued within seven days.

An announcement would end weeks of speculation over the future of Trust Bank, New Zealand's fifth largest bank and an important mortgage lender, which would be worth upwards of NZ$1.25bn (US$852m).

Brokers and investors continue to believe that the most likely buyer is National Bank of New Zealand, a subsidiary of the UK's Lloyds TSB. Lloyds said yesterday that it never commented on rumours. Sir Brian Pitman, the group's chief executive, is an effusive admirer of New Zealand, who rarely misses an opportunity to make comparisons with the country.

A merger between National Bank and Trust Bank would create the biggest bank in New Zealand with assets of NZ$24bn – leapfrogging Bank of New Zealand, currently the country's largest.

But Lloyds, which has increasingly withdrawn from its international banking ventures and now concentrates almost entirely in the domestic UK retail banking market, has also long been suspected of planning to pull out of New Zealand.

The other principal contender for Trust Bank is thought to be ASB Bank, which is controlled by Commonwealth Bank of Australia.

ASB has invested heavily in expanding its operations from its base in the Auckland region, in the north island. Trust Bank, which developed from a consortium of regional banks owned by community trusts, is particularly strong in the south island.

But in a banking market with a heavy branch coverage, considerable rationalisation ought to be possible with either merger.

In the past, Trust Bank has seemed to maintain its friendly links with the much smaller Countrywide Bank, a former mutual building society now owned by the Bank of Scotland.

A merger with either of these three, all foreign-owned, would leave New Zealand as probably the only industrialised country not to boast a single substantial domestically-owned bank.

Trust Bank, which has NZ$9.3bn of assets, said it expected a "significant proposal" to be put to shareholders shortly.

The bank is controlled by nine regional trusts, but a dominant stake is held by two of the largest community trusts, Canterbury and Southland. They have been reported to be unwilling to sell their stakes.

A ban on the community trusts selling their holding expired last year, and questions about Trust Bank's future have swirled since then.

Trust Bank's shares rose 19 cents to a record NZ$2.80 after the bank's announcement advising investors not to sell, but eased slightly to NZ$2.75. That would value the bank at about NZ$1.23bn.

Sir Brian Pitman: Lloyds chief is an admirer of New Zealand

NEWS DIGEST

Daiwa Securities lifts profit forecast

Daiwa Securities, one of the Big Four Japanese stockbrokers, yesterday revised upwards its pre-tax profits forecast for the business year that ended last month, to Y68bn ($638.3m) from an earlier forecast of Y50bn. Operating income is now seen at Y620bn, up from Y450bn earlier, with net profit of Y47bn compared with an initial forecast of Y40bn.

At the parent company level, Daiwa said it saw its pre-tax profit at Y62bn for the year to March, up from the Y45bn forecast earlier. Parent operating income is seen at Y301bn rather than Y275bn, with net profit at Y43bn compared with Y37bn. The upward revision is due to higher commission income following an improvement in trading conditions in the share market, the company said. *AFX-Asia, Tokyo*

Normandy merger hopes alive

The latest court hearings looking at approval for the proposed four-way merger of Mr Robert Champion de Crespigny's Normandy group and three related mining companies were yesterday adjourned until May 30. This in effect keeps the merger possibility alive, and buys more time for Normandy to deal with Newcrest Mining, which wants to be dealt into the merger. Last month, Newcrest – which holds stakes in both Normandy and PosGold, one of the other companies involved in the deal – used its shares to prevent the original proceeding. *Nikki Tait, Sydney*

George Weston cautious

George Weston, the Australian bakeries group, yesterday announced after-tax profits of A$25m (US$19.7m) in the six months to the end of January, compared with A$22.9m in the same period a year ago. Sales were up from A$547m to A$625.8m. However, the group said that trading conditions during the period had been difficult. It also warned that it expected increased pressure on margins during the rest of the financial year. *Nikki Tait*

Amcor sells security business

Amcor, the Australian paper and packaging group, is to sell its Leigh-Mardon Security group subsidiary, the country's largest security printer, to American Banknote Corporation. No purchase price was disclosed, but the business has annual sales of around A$120m and employs about 900 people. American Banknote said it planned to use the Australian operations as "our base for further expansion into the Asian markets". *Nikki Tait*

Westpac launches A$50m fund

Westpac, the Australian banking group, said it was launching a A$50m investment fund, aimed at supplying capital to "medium-sized business enterprise". The new fund has been structured as a unit trust and Westpac will commit A$25m for half the units. The remaining 50 per cent will be held by institutional investors. *Nikki Tait*

Indian chemical producer surges

India's state-run Hindustan Organic Chemicals, a leading producer of benzene-based chemicals, reported net profits of Rs601.2m ($17.6m) for the year to March 31, compared with Rs275.5m a year earlier. Output in 1995-96 was 304,406 tonnes compared with 272,523 tonnes last time. Sales for the year rose to 169,503 tonnes from 151,737 tonnes. *Reuter, Bombay*

صكنا من الاجل

Georgia Pacific and Boise Cascade post sharp falls

By Richard Tomkins in New York

Two big US paper companies, Boise Cascade and Georgia Pacific, yesterday joined other US paper makers in reporting severe falls in first-quarter profits amid a glut in the market for paper products.

Boise Cascade saw a slide in net income from $57m to $25.5m and Georgia Pacific reported a fall from $232m to $50m.

Both cited lower prices for paper products, caused by a sharp decline in orders.

"Orders for paper fell as economic growth in Europe and the US slowed and as customers worked off higher-than-normal inventories they had accumulated last year as a hedge against rapidly rising paper prices," Boise Cascade said.

Earlier this week International Paper reported worse-than-expected first-quarter profits of $124m after tax against $246m last time, and Champion International revealed first-quarter profits of $84m, down from $131m.

Yesterday, Boise Cascade gave a detailed breakdown of the effect of weak market conditions on prices for paper products. It said it curtailed production by about 85,000 tons in the first quarter, and average prices fell for all grades of paper produced by the company.

Price declines included a fall of $143 a ton, or 14 per cent, for uncoated free sheet papers; $75 a ton, or 7 per cent, for coated papers; $74 a ton, or 16 per cent, for containerboard; and $259 a ton, or 38 per cent, for market pulp.

Among the products least affected by the general trend was newsprint, the price of which edged down by only $2 a ton, or 0.3 per cent.

Boise Cascade warned that its second-quarter results would also be depressed by lower average prices for paper and market pulp.

Further ahead, if US and European economic growth rebounded modestly, the company expected inventories of uncoated free sheet papers to normalise, setting the stage for improved market conditions. But markets for other grades of paper and market pulp were expected to improve more slowly.

Georgia Pacific said it expected continued weakness in pricing, but said industry-wide mill inventories were falling and the company was beginning to see some signs of improved demand for its pulp and paper products.

Time Warner's Pathfinder site links with CompuServe

By Louise Kehoe in San Francisco

Time Warner yesterday announced an agreement to link Pathfinder, its extensive news site on the Internet's World Wide Web, to CompuServe, one of the largest on-line information services, in a deal aimed at drawing more users to both services.

Time's New Media group said it would create a personalised news service, called Pathfinder Personal Edition, and offer it free of charge to CompuServe subscribers. Other Internet users would have to pay a subscription fee for the new service.

The arrangement is believed to be the first of its kind, linking an on-line service to exclusive content on the Internet.

Time Warner said the new service, to be released later this year, would draw upon material produced by Time's magazines, which include Time, People, Sports Illustrated and Fortune.

Personalised news services, which automatically deliver news on selected topics from a variety of sources, are proliferating on the Internet as publishers seek ways to generate subscription revenues from Web sites to supplement income from advertising.

Free subscriptions to personalised news services are also being offered by Internet access providers, such as Netcom On-line Communications, as a promotional tool.

Time Warner also announced an agreement with Open Market, an internet software company, to enable subscribers to use its Express software which automatically downloads material from a pre-selected Web site, eliminating the long delays that many Internet users suffer.

● Videotron, the Canadian communications group seeking about US$500m from the sale of its UK cable-TV unit, posted a loss of C$9.4m (US$6.9m) for the six months to February 29, against net profit of C$4.1m a year earlier, reports Robert Gibbens in Montreal. Revenues were C$416m against C$356m.

Videotron continued to invest heavily in the UK unit, leading to sharply higher depreciation and financial charges in the latest period. The UK cable-TV and telephone operations performed strongly and Canadian cable and broadcasting operations improved.

VIScorp set to buy Escom unit

By Peter Norman in Bonn

Escom, the German computer retailer that recently reported substantial losses for 1995, yesterday announced an agreement in principle to sell its Amiga Technologies subsidiary to VIScorp of Chicago for $40m.

The German company, whose founder Mr Manfred Schmitt resigned last month as chief executive, said the planned sale of Amiga Technologies would allow it to concentrate more on its core business of computer retailing.

In a joint statement, VIScorp said it was buying Amiga as part of a plan to build up its business making television set-top boxes required for interactive television services. The US company already uses Amiga technology in one of its set-top boxes.

Amiga, which employs 35 people, was founded by Escom last year to develop multimedia technologies acquired through Escom's purchase of the intellectual property of the Commodore computer group in April 1995.

Amiga said yesterday the planned sale of the company to VIScorp was a "good deal" for Escom, which paid $10m for the Commodore and Amiga know-how, patents and trade marks in an auction last year.

However, neither Amiga nor Escom was able to say how much the German company had since invested in building up Amiga Technologies.

Under the terms of the agreement, which still has to be approved by the supervisory boards of Escom and VIScorp, Escom will retain the Commodore trade mark.

NEWS DIGEST

Enron advances 9% in first term

Enron, the US oil and gas company, announced a 9 per cent rise in net income to $212.8m, or 86 cents a share, for the first quarter to the end of March. That compared with income of $196m, or 79 cents, a year earlier. Revenues rose from $2.3bn to $3.1bn. The company said all its business units had performed well, particularly Enron Capital & Trade Resources, which almost doubled its earnings from $51.4m to $97.7m.

Enron Operations reported earnings before interest and taxes of $232.7m in the first quarter, compared with $180.9m a year ago. Earnings before interest and taxes at Enron International fell from $51.2m to $40.3m. Exploration and Production earnings were $29.7m in the first quarter, compared with $58.3m a year ago. The unit's results reflected a strategic change implemented at the end of 1995, Enron said.
AP-DJ, New York

KKR sells Wells Fargo stock

Kohlberg Kravis Roberts, the US investment group, has raised about $1bn through the sale of the Wells Fargo stock it received after Wells Fargo's purchase of First Interstate Bancorp, according to press reports. The 6.1m stake in First Interstate was purchased between 1988 and 1990 for about $231m. KKR bought the shares at an average price of $38 a share. The shares were exchanged last week for 0.667 of a Wells Fargo share, then sold at a price equivalent to $176 per First Interstate share.

KKR said it had confidence in Wells Fargo's management, but that the firm could not pass up the return to its investors.
Reuter, New York

Nowsco rebuffs BJ Services bid

Nowsco, the Canadian oilfield services group, has rebuffed a C$560m (US$412m), or C$27 a share, bid, from Houston's BJ Services. Nowsco shares were up C$¾ at C$25⅞ in early trading yesterday.

Nowsco also announced record first-quarter net profit of C$10.1m, or 49 cents a share, against C$4.6m, or 22 cents, a year earlier, on sales of C$127m against C$120m. Mr Patrick Shouldice, chairman, said Nowsco has received approaches from other potential bidders, but the valuation could take up to two weeks.
Robert Gibbens, Montreal

Mexico suspends sell-off

The Mexican government is reported to have suspended the privatisation of the first petrochemical plant offered for sale in October last year. Press reports yesterday quoted industry sources as saying the bids which had been received for Cosoleacaque, Mexico's largest ammonia-producing plant, had been returned to the interested parties, which include Norsk Hydro of Norway and two US fertiliser producers.

The Mexican energy ministry declined to comment on the reports. It said it was preparing to issue a statement on the matter. The government has encountered strong political opposition to the sale of petrochemical plants belonging to Petróleos Mexicanos (Pemex), the state-owned oil monopoly.
Leslie Crawford, Mexico City

Changes at top for Power Corp

Mr Paul Desmarais, the Canadian financier, is handing over day-to-day operation of Power Corp, his financial services, industrial and media holdings group, to his two sons. However, he will keep his 63 per cent voting control and chair the executive committee. His two sons, Paul and André, will become co-chairmen of the group.

Power Corp's holdings include a stake in Compagnie Luxembourgeoise de Télédiffusion, which recently merged its television operations with Ufa, the TV division of Bertelsmann, forming a communications group with annual sales of US$3.3bn and specialising in digital satellite broadcasting.

The group also controls Great-West Life, a leading North American life insurance company; Investors Group, Canada's biggest mutual fund distributor; 21 per cent of Southam, the country's biggest newspaper chain; 100 per cent of La Presse, the Montreal French-language daily; and broadcasting interests in Canada. It has an effective 26 per cent of Pargesa, the Swiss investment group, which in turn controls Petrofina, Tractebel, Banque Bruxelles Lambert and other European companies, in partnership with Belgium's Frère group.
Robert Gibbens

Latin America fund gets into full stride

After an inauspicious launch, acquisitions are now proceeding apace, writes Sally Bowen

Fortunes seem have improved for investors and partners in the Latin America Enterprise Fund, who assembled in Lima recently for their first board meeting. So far, some $54m of a total $254m in their closed-end fund has been invested in up-and-coming, unlisted companies in four Latin American countries.

However, as founder, Mr Pedro-Pablo Kuczinsky, recalls, the fund's launch in 1994 was inauspicious. "We launched it on the day Donaldo Colosio, the Mexican presidential candidate, was assassinated," he says. "Then Barings, our chief sponsor, went bust in February 1995 just as we were about to sign a first tranche."

Now, acquisitions are proceeding apace. First came a $10m investment in Coresa of Chile, a metal processing company and South America's largest producer of plastic sacks for fishmeal and fertilisers. With its cash injection, the fund obtained some 10 per cent of Coresa's shares.

Two months ago, it spent $8m on a 25 per cent stake in Cosapi, a Peruvian engineering and construction company. More recently still, fund managers have bought into Drogasil, a chain of drug stores in Brazil, for $18m, and into Jardines del Tiempo, a Mexican funeral homes and cemeteries business, for almost $16m.

The Latin America Enterprise Fund is a "buy-in", late-stage venture capital fund, which plans to invest an average of $20m in a dozen businesses. The bulk of the investments will be completed by the end of this year, according to partners.

Mr Kuczinsky is convinced there will be no repetition of the 1990-1993 investment surge, when huge volumes of capital flowed into Latin America. This, he says, may prove to be "just as well".

Funds like his cater for medium-sized Latin American companies with a good products and an expanding market but which are short on capital.

"The cost of borrowing in Latin America is still extraordinarily high for such companies," says Mr Kuczinsky. "I put it at an average of 20 per cent across the continent."

The Latin America Enterprise Fund – like its only rival, the smaller Darby Overseas headed by former US Treasury secretary Mr Nicholas Brady – has chosen to buy in, rather than buy out.

"Go along to most medium-sized, often family-based businesses in Latin America and say you want to buy them out, and they show you the door," says Mr Kuczinsky. "Plus, you may end up running a company you know nothing about."

Partners expect net returns of around 16 per cent a year, far more than they could expect consistently from stocks or bonds

With late-stage capital funding, investors negotiate a shareholders' agreement and become partners in the venture for four of five years. The fund reduces and restructures debts, supplies financial know-how and provides for investment needs: the ultimate objective is to take the company public.

With private equity deals, "you're able to go in at a much lower multiple – say three to five times earnings – while most Latin American stock markets today have average p/e ratios of 15," says Mr Kuczinsky.

"We tell our investors we'll get out around double the original multiple. Meanwhile, profits will also have doubled. It may not be fantastic, but it's steady."

In general, selling Latin America is an uphill task. The Latin America Enterprise Fund, however, managed to close $100m larger than originally planned.

Apart from ING Barings, which has a $30m stake, the fund's largest single limited partner is Harvard University's endowment fund. Chemical Venture Partners, the IFC, Bank of America, the Common Fund, Hancock Venture Partners and the Andean Development Corporation (CAF) also have at least $10m apiece.

Representatives from these and other institutions in Lima were optimistic this week. They expect net returns of around 16 per cent a year, far more than they could expect consistently from stocks or bonds.

"Despite its ups and downs, there are major changes in attitudes in Latin America today and a new sense of financial responsibility, not to mention a huge rise in export from the continent which is going almost unnoticed," says Mr Kuczinsky.

"Our seven partners [six of them Latin Americans] know the continent intimately: half of us are on the ground, half in Miami. We think this is the start of a new second phase of investment in Latin America – and we're in the vanguard."

Institutions say £2.1bn BET bid could succeed, but investors cautious

Rentokil 14p rise may prevail

By Geoff Dyer and Daniel Bögler

The biggest current takeover battle in the UK seemed to have been decided last night after institutional investors in BET said that Rentokil was likely to succeed with its revised offer for the rival business services group, which it increased by 14p yesterday.

However the majority of shareholders said that the £2.1bn ($3.2bn) offer, which Rentokil declared final, would not definitely be a knock-out blow.

In particular, they expressed some concern at the Rentokil share price, which dropped 13p to 350p yesterday after the new offer was announced, having fallen to 345p at one stage.

Mr Clive Thompson, Rentokil's chief executive, said the new offer represented a 56 per cent premium to BET's share price of 139p the day before bid speculation began. BET immediately rejected the offer, saying it undervalued the group's current and future value.

Mr John Clark, chief executive, said: "This bid is a classic financial engineering exercise. They are trying to grab BET for a low price before the market gets a chance to properly value the company itself."

Under the revised terms, Rentokil is still offering nine new shares for every 20 BET shares, but it has increased the cash part of the offer from £8 to £10. It is also offering to pay a dividend of 4p per share. The cash alternative has been raised from 179½p to 202½p.

At yesterday's closing prices the offer valued BET shares at 211½p, compared with the BET share price of 208½p, up ¾p.

The majority of institutional investors in BET predicted that Rentokil's new offer would probably be successful. "After this, BET has got its work cut out to stay independent," said one of its largest shareholders.

"This is not a knock-out blow, but the balance is probably still in favour of Rentokil," said another big BET investor. However, he expressed some concern about Rentokil's ability to generate savings at BET and its familiarity with a lot of its activities.

Another of the biggest institutions was more confident Rentokil would win: "We think its all over now. It has been a matter of price all along, not a question of whether Rentokil would win. Rentokil might have got it without raising their offer." Most of the large institutions have yet to meet either of the groups.

The fall in Rentokil's shares caused concern among some institutions. One shareholder in both group's said: "This possibly suggests that not all the Rentokil shareholder base has faith in Clive Thompson."

Rentokil said it was considering a complaint to the Takeover Panel about a BET statement last night that the new offer valued its shares at the same price as at the previous night's close. Rentokil said the statement was misleading because its shares were "ex-dividend", while BET shares were "cum-dividend".

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Clive Thompson: announced revised offer yesterday

Profits rise 36% at Berendsen

By Hilary Barnes in Copenhagen

Sophus Berendsen, the Danish majority shareholder in Rentokil, reported a 36 per cent increase in 1995 profits after net financial items to DKr2.17bn.

Operating profits increased 25 per cent to DKr2.13bn, and profits after tax increased from DKr994m to DKr1.55bn. Earnings per share rose from DKr19.4 to DKr36.5 and the board proposed a one-for-10 scrip issue and an increase in the dividend from DKr4 to DKr5.

Return on equity after tax rose from 23 per cent to 41.3 per cent; turnover increased from DKr12.32bn to DKr13.76bn, with Rentokil's sales rising from DKr7bn to DKr7.45bn. The textile services, power and motion control, and electronics and data division saw substantial improvements in profits, which combined increased from DKr237m to DKr373m.

Rentokil's operating profit, when converted, rose 8 per cent to DK1.82bn, although it rose 21 per cent in sterling terms to £214m.

If the Rentokil bid for BET is successful, Berendsen's shareholding will slip from 51.7 to 35 per cent.

Ericsson buys Vodafone out of Orbitel

Ownership of one of the UK's few designers and manufacturers of mobile phones is moving abroad. Ericsson, the Swedish telecommunications manufacturer, is paying an undisclosed sum to buy out Vodafone of the UK, its joint venture partner in Orbitel Mobile Communications, writes Alan Cane.

Ericsson paid £45m ($68m) in January 1991 for a half share in Orbitel, which made pre-tax profits of £5.8m on revenues of about £100m last year.

There is industrial logic in Ericsson having sole ownership of Orbitel. The Swedish company is one of the world's largest manufacturers of mobile communications equipment, while Vodafone is essentially the largest provider of mobile communications services in the UK.

Orbitel was established in 1987 as a joint venture between Racal – whose mobile division became Vodafone – and Plessey to exploit the growing market for mobile phone handsets and transmission infrastructure. When Plessey was acquired by GEC in 1989, Racal bought the latter's stake for £8m.

Clark float delayed for three years

By Patrick Harverson

The flotation of C. & J. Clark is likely to be delayed for at least three years while the family-owned Somerset-based shoe group grapples with the restructuring of its underperforming domestic footwear business.

Clark, which today will unveil a 27 per cent rise in pre-tax profits to £24.8m ($38m) has been committed to a flotation since family shareholders rejected a £184m takeover offer from Berisford International three years ago.

At the time, the group pledged to come to the stock market by May 1998.

Yet Clark, one of the largest private companies in Britain,is now unlikely to be ready for a flotation until at least a year beyond that date, reportedly because Mr Tim Parker, the recently-appointed chief executive, needs more time to cut costs and restore the group's UK profits.

The restructuring of UK operations cost Clark £11.3m in charges last year as the group cut jobs at its head office and factory in Street, Somerset. Its management will warn today that more charges are likely this year as UK production is slimmed further.

British Steel opens £13.5m facility

By Stefan Wagstyl

British Steel, the UK steelmaker, has set up a high-technology distribution centre in the West Midlands to make just-in-time deliveries to the motor industry.

The £13.5m ($20.5m) centre at Wednesfield, near Wolverhampton, employs 78 people. It opened this month and will reach full capacity later this year. The high-technology equipment includes a press for stamping doors and other parts, and laser-guided cutting and welding machines.

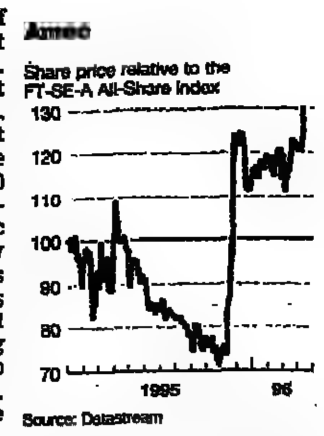
The investment will help British Steel add more value to its its products and improve communications with its customers in the motor industry. It could also be the first step towards further investment in finishing and tailoring products to customers' needs. "We are not going into competition with the press shops," the company said, "but who knows what might happen further down the line."

Mr Brian Moffat, chairman and chief executive, said: the group's efforts to increase efficiency – including the new distribution centre – would help it weather the downturn in the European steel industry, which started late last year.

LEX COMMENT

Amec

Shareholders' rejection of Kvaerner's bid for Amec last year has been proved right. Yesterday's announcement by Amec of £20m profits, bang in line with its forecast during the bid, pushed the share price up to 110p - 10 per cent higher than Kvaerner's offer. But the Amec management still has plenty to prove. This year's profits were depressed by costs incurred on its Tiffany oil platform contract; managing not to slip up again will help secure a rebound of profits, but would hardly repay the investors' vote of confidence.



Mr Peter Mason's strategic review should deliver more. His decision not to sell Fairclough Homes is sensible, since it could not be sold at the current book value.

Furthermore, with the housing market showing signs of recovery, the group should be able to add more value by keeping hold of it - provided the new chief executive, about to be appointed, can do something about its dismal margins.

The review will also look at BPMS, Amec's 50 per cent-owned public sector facilities management business. Logically, it should either be merged with Matthew Hall, which does the same thing in the private sector, or sold.

However, investors who are hanging on in the hope of a bid are likely to be disappointed. One bid for a construction company is rare enough, and other suitors would surely have been drawn out by Kvaerner's approach last year. If anything, the stock price is likely to be depressed in the short term by the prospect of Kvaerner's unloading its 26 per cent stake. But, at a slight discount to the market, the current valuation looks sustainable.

DIGEST

BP sees secure improvement

British Petroleum shares rose 5½p to 591½p yesterday after an upbeat report by Sir David Simon at the annual meeting. The chairman told shareholders that BP's stronger dividend policy was sustainable because the improvement in performance was secure.

Mr John Browne, chief executive, said that even under a cautious set of assumptions, BP could raise post-tax profits by 50 per cent over the next five years, or another $1.5bn.

This underpinned the board's view that the company should be paying out 50 per cent of underlying earnings in dividends. *David Lascelles*

T&N forms Chinese ventures

T&N, the motor components and specialist engineering group, is to manufacture piston rings, gaskets and friction products in China. The company has formed three joint ventures to expand its presence in China, which it regards as one of its largest future markets.

The largest is a £20m ($30m) project with Teikoku, the Japanese piston ring maker, and China's Anqing Piston Ring Company. The three partners have agreed to build a new plant in Anhui province designed to produce 20m units a year.

T&N is also investing in a £2m gaskets joint venture with the Nanchang Air Cylinder Gasket Factory, setting up a greenfield site in Jiangxi province that will be 70 per cent owned by the UK group. It has drawn up similar plans for a new £8.15m facility at Wuhan City, central China, to produce brake pads and brake shoe assemblies. *Tim Burt*

Eurocamp acquires agencies

Eurocamp, the tour operator, is paying up to £6.35m ($9.7m) cash for Tesh Travels GmbH and Tesh Travels AG, which currently operate as sole agents for the sale of Eurocamp holidays in Germany, Switzerland and Austria.

The deals will allow Eurocamp to profit from selling insurance and transport with its holidays, as well as ending the constraints of current agreements. The German, Swiss and Austrian markets accounted for more than 20 per cent of the camping division's bookings in 1995.

Consideration for Tesh Travels GmbH will be DM7.5m with a further profit-related amount up to a maximum DM2.95m. The price for Tesh Travels AG will be SFr3.19m.

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COMPANIES AND FINANCE: UK

Fairclough Homes reports profits and expected to remain part of group in short term

Amec spends £4.1m fighting Kvaerner bid

By Motoko Rich

Amec, the construction group which last year fended off a £360m ($547m) hostile bid from Kvaerner, the Norwegian ship-building and engineering group, yesterday said it would not put its housebuilding business on the block in the near term.

The group, which indicated in its bid defence that it was prepared to sell Fairclough Homes, has decided an imminent sale would not maximise shareholder value.

Mr Peter Mason, who took over as chief executive in March, said: "We believe there is more we can do with this business."

He made his comments as the group announced a 21 per cent drop in pre-tax profits to £15.9m. The housing business turned losses of £2.8m into profits of £2.6m.

Mr Mason said the group would appoint a new chief executive at Fairclough who would be asked to review the cost base, geographic spread and long-term land holdings. Following this, it would assess Fairclough's "fit within the group against the business's performance and future market conditions".

The group also said that having turned £40.4m net borrowings in 1994 into £14.5m net cash, it would seek powers to buy back preference shares. It would only exercise such powers if they enhanced earnings potential for ordinary shareholders.

The fall in pre-tax profits was struck after bid defence costs of £4.1m. Excluding these, pre-tax profits in the year to December 31 were unchanged from the previous year at £20m. Stripping out a number of other one-off costs – including a £8.1m loss on the settlement of its disputed Tiffany oil platform contract – profits increased 39 per cent from £29.4m to £40.9m.

Turnover of £2.5bn compared with £1.96bn previously and included a first-time contribution from Morse Diesel, the US construction management company acquired in January 1995.

Construction profits more than doubled to £11.9m, helped by improved performances in the UK and strong contributions from abroad, particularly in Asia Pacific.

Mr Mason said that the group was no longer an "old-fashioned contractor" but provided "complete business solutions".

A strategic review launched by Mr Mason resulted in the consolidation of UK businesses and annual savings of £5m and he said the group would seek further cost savings.

Manufacturing and services profits rose to £6.1m (£5.1m), and mechanical and electrical profits to £19.5m (£12.9m). The process and energy business suffered a deficit of £7.3m following the Tiffany settlement and losses in its Newcastle fabrication business.

Mr Mason said the group did not have imminent plans to seek a merger or acquisition – it had made a bid for Alfred McAlpine, a rival UK construction concern, as part of its defence against Kvaerner. "But we would like to see consolidation in the UK," he added.

Earnings per share contracted to 1.1p (3.1p). The group recommended an unchanged final dividend of 1.5p, making a maintained total for the year of 3p.

The shares rose 3p yesterday to 110p.

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Amec by business

	Operating profits 1995 £m	1994 £m
Construction	11.9	5.2
Manufacturing and services	6.1	5.1
Mechanical and electrical	19.5	12.9
Process and energy	(7.3)	7.7
Housing development	2.6	[illegible]
Total group	32.8	28.8

Source: Company

The group does not have plans to seek a merger or acquisition – it had made a bid for Alfred McAlpine as part of its defence against Kvaerner

Rathbone reflects middle England

By Martin Brice

The changing tide of fortunes for middle England was reflected in full-year results of Rathbone Brothers, as the asset management and private banking group saw funds under management increase from £1.7bn to £2bn ($3bn).

"More people are retiring or being made redundant at around 50 years of age, and they are getting quite large sums of money. This is probably the first time they have had a sizeable sum to invest," said Mr Michael Bryant, marketing director.

"We act for Middle England, by which I mean people with portfolios of around £250,000, and they tend to like a reasonable comfort factor and a more solid approach to fund management. This is a growing market, in which we are getting a larger market share. I would say there are some people who are getting wealthier, and a lot of people who are getting poorer."

The group, which has bases in Liverpool and London, saw pre-tax profits for the year to December 31 rise 19 per cent, from a restated £6.2m to £7.36m, struck on turnover up 51 per cent to £27.8m.

Excluding the acquisition last year of Laurence Keen Holdings, the London fund management and stockbroking group, the rises would have been about 2 per cent and 11 per cent respectively.

Earnings per share on a share base swollen by the acquisition were almost static at 21.31p (21p).

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Amec	Yr to Dec 31	2,451	(1,962)	15.9♠	(20♠)	1.1	(3.1)	1.5	July 1	1.5	3	3
Cradley	6 mths to Dec 31	12.4	(11.9)	1.52	(1.12)	3.1	(2.3)	-	-	-	-	1.26
Eadie	Yr to Dec 31	39.7	(31.8)	3.51	(0.78♠)	3.99	(1.01)	0.8	July 1	0.7	1.2	1
Lyles (S)	6 mths to Dec 31	8	(8.28)	0.495L	(0.39L♠)	6.66L	(3.92L)	nil	-	nil	-	nil
Hurdle & Peacock	Yr to Dec 29 ★	1,659	(1,540)	21.4♥	(16.5)	12.3	(9)	4.98	-	4.74	7.25	6.9
Prestwick	6 mths to Jan 28	17.6	(14.4)	0.127	(0.411♠)	nil	(0.41)	nil	-	nil	-	nil
Rathbone Bros	Yr to Dec 31 ★	27.8	(18.4)	7.36	(6.2)	21.31†	(21)	6.5	May 24	6	10	9
Swallowfield	Yr to Dec 31	37	(34.9)	2.69	(2.58)	13.6	(13.3)	3.8	May 31	3.5	6.5	6.2
Toye	Yr to Dec 31	9.69	(8.6)	0.265♥	(0.181L♥)	11.44	(8.04L)	4	July 1	nil	4	nil
Toder	Yr to Dec 31	16.5	(17.9)	0.258	(0.111)	2.22	(1.09)	0.75	July 2	0.5	1	0.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ★ Comparatives restated. †On increased capital.

Notice of Redemption to Holders of

Series B

of

RSVP MAYFAIR LIMITED

(Incorporated with limited liability in the Cayman Islands)

U.S. $79,000,000

Guaranteed Extendible Variable Rate Notes due 2006

NOTICE IS HEREBY GIVEN that in accordance with Section 5.03(a) of the Indenture, dated 31st March, 1992, Series B of the U.S. $79,000,000 Guaranteed Extendible Variable Rate Notes due 2006 of RSVP MAYFAIR LIMITED (the "Bonds") will be redeemed in full by RSVP MAYFAIR LIMITED on the interest Payment Date falling on 30th April, 1996 at the principal amount date together with the interest accrued to the date of redemption.

Principal Paying Agent: Goldman Sachs (Cayman) Trust, Limited, P.O. Box 896, Grand Cayman, British West Indies

Paying Agent: Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, Luxembourg

Interest will cease to accrue on the Bonds from 30th April, 1996.

Goldman Sachs (Cayman) Trust, Limited

Principal Paying Agent

12th April, 1996

Eni

Eni S.p.A.
Sede sociale in Roma, Piazzale Enrico Mattei, 1
Capitale sociale: L. 7.999.205.453.000 i.v.
N. 6868/92
Registro delle Imprese di Roma (Tribunale di Roma)
Codice fiscale 00484960588

Il testo italiano prevale su quello inglese

CONVOCAZIONE ASSEMBLEA ORDINARIA

L'Assemblea degli Azionisti dell'ENI S.p.A. è convocata in sede ordinaria in Roma, Auditorium del Massimo, Via Massimiliano Massimo, 1/7, per il giorno 14 maggio 1996 alle ore 10 in prima convocazione e, occorrendo, per il giorno 15 maggio 1996, stessi ora e luogo, in seconda convocazione per discutere e deliberare sul seguente

Ordine del giorno

1. Bilancio di esercizio al 31 dicembre 1995, bilancio consolidato, relazione degli Amministratori sulla gestione, relazione del Collegio Sindacale e relazione della società di revisione: deliberazioni conseguenti;
2. Distribuzione del dividendo;
3. Determinazione del numero dei componenti il Consiglio di Amministrazione;
4. Determinazione della durata in carica degli Amministratori;
5. Nomina dei componenti il Consiglio di Amministrazione;
6. Nomina del Presidente del Consiglio di Amministrazione;
7. Determinazione del compenso del Presidente e degli Amministratori.

Ai sensi dello Statuto, gli Amministratori saranno nominati mediante voto di lista, eccetto quello nominato dal Ministro del Tesoro d'intesa con i Ministri del Bilancio e della Programmazione Economica e dell'Industria, del Commercio e dell'Artigianato.

I soci che rappresentino almeno l'1% del capitale sociale e il Consiglio di Amministrazione uscente potranno presentare una lista di candidati al Consiglio di Amministrazione con le modalità previste dallo Statuto. Le liste presentate dovranno essere depositate presso la sede sociale e pubblicate su almeno tre quotidiani italiani a diffusione nazionale, di cui due economici, almeno venti e dieci giorni prima di quello fissato per l'Assemblea in prima convocazione, rispettivamente per la lista presentata dal Consiglio uscente e per quelle presentate dagli Azionisti.

Hanno diritto di intervenire in Assemblea gli Azionisti che avranno depositato le azioni almeno cinque giorni prima della data della prima convocazione presso la sede sociale in Roma, Piazzale Enrico Mattei n. 1, oppure presso le seguenti casse incaricate: Banca Commerciale Italiana S.p.A., Credito Italiano S.p.A., Istituto Bancario San Paolo di Torino S.p.A., Banco di Napoli S.p.A., Banca Nazionale del Lavoro S.p.A., Banco Ambrosiano Veneto S.p.A., CARIPLO - Cassa di Risparmio delle Provincie Lombarde S.p.A., Banca Monte dei Paschi di Siena S.p.A., Banca di Roma S.p.A., Banca Fideuram S.p.A., Banco di Sicilia S.p.A., Deutsche Bank S.p.A., Sofid Sim S.p.A., Citibank N.A., Morgan Guaranty Trust Company of New York - ADR Administration New York e Securities Services Milano, nonché Monte Titoli S.p.A. per i titoli dalla stessa amministrati.

Il voto potrà essere esercitato anche per corrispondenza in conformità alle disposizioni del "Regolamento concernente le condizioni e le modalità per l'esercizio del diritto di voto per corrispondenza" emesso il 30 dicembre 1994 dalla Banca d'Italia, dalla Consob e dall'ISVAP e pubblicato sulla Gazzetta Ufficiale del 5 gennaio 1995, n. 4 (Serie generale). Le proposte di deliberazione del Consiglio di Amministrazione all'Assemblea su tutti i punti all'ordine del giorno e le relazioni illustrative ai punti da 2) a 7) dell'ordine del giorno sono state depositate presso la sede sociale e gli enti in precedenza indicati e vi rimarranno fino alla data della riunione assembleare. La documentazione e le relazioni illustrative del Consiglio di Amministrazione all'Assemblea relative al punto 1) dell'ordine del giorno saranno depositate presso la sede sociale e gli enti in precedenza indicati a partire dal 29 aprile 1996 e vi rimarranno fino alla data della riunione assembleare. La scheda di voto, unitamente al biglietto di ammissione alla votazione, dovrà pervenire alla Segreteria Societaria dell'ENI S.p.A., Piazzale Enrico Mattei, 1 - 00144 ROMA, entro il 10 maggio 1996.

I possessori di ADRs, rappresentativi ciascuno di dieci azioni ordinarie dell'ENI S.p.A., quotati alla Borsa di New York, che risulteranno iscritti alla data del 30 aprile 1996 nell'apposito registro tenuto dalla Morgan Guaranty Trust Company of New York, avranno la facoltà di partecipare all'Assemblea o di esercitare il voto per corrispondenza, osservati gli adempimenti di deposito e registrazione delle azioni possedute; i medesimi possessori, qualora si siano avvalsi del voto per delega o per corrispondenza, avranno la facoltà di seguire i lavori assembleari, previa richiesta scritta alla Morgan Guaranty Trust Company of New York (banca depositaria).

Il Presidente del Consiglio di Amministrazione
Ing. Luigi Meanti

INFORMAZIONI PER GLI AZIONISTI

Voto di lista e pubblicazione delle liste

I soci che rappresentino almeno l'1% del capitale sociale e il Consiglio di Amministrazione uscente potranno presentare liste di candidati al Consiglio di Amministrazione. Le liste dovranno essere depositate presso la sede sociale unitamente alle dichiarazioni con le quali i singoli candidati accettano la propria candidatura e attestano, sotto la propria responsabilità, l'inesistenza di cause di ineleggibilità e di incompatibilità, nonché l'esistenza dei requisiti prescritti dalla normativa vigente per ricoprire la carica di Amministratore. Le liste presentate dagli Azionisti e dal Consiglio di Amministrazione uscente dovranno essere pubblicate su almeno tre quotidiani italiani a diffusione nazionale, di cui due economici, rispettivamente almeno dieci e venti giorni prima di quello fissato per l'Assemblea in prima convocazione. Al fine di comprovare la titolarità del numero di azioni necessario alla presentazione delle liste, gli Azionisti dovranno presentare e/o recapitare presso la sede sociale, con almeno cinque giorni di anticipo rispetto a quello fissato per l'Assemblea in prima convocazione, copia dei biglietti di ammissione emessi dai soggetti depositari delle loro azioni.

Ogni azionista potrà presentare o concorrere alla presentazione di una sola lista e ogni candidato potrà presentarsi in una sola lista a pena di ineleggibilità.

Ogni avente diritto al voto potrà votare una sola lista.

Voto per corrispondenza

Il voto potrà essere esercitato anche per corrispondenza in conformità alle disposizioni del "Regolamento concernente le condizioni e le modalità per l'esercizio del diritto di voto per corrispondenza" emesso il 30 dicembre 1994 dalla Banca d'Italia, dalla Consob e dall'ISVAP e pubblicato sulla Gazzetta Ufficiale del 5 gennaio 1995, n. 4 (Serie generale).

Le schede per l'esercizio del voto per corrispondenza, corredate con le proposte di deliberazione del Consiglio di Amministrazione relative a tutti i punti posti all'ordine del giorno e le relazioni illustrative relative ai punti da 2) a 7) posti all'ordine del giorno, possono essere richieste dagli Azionisti alla società e alle Casse incaricate a partire dalla data di pubblicazione sulla Gazzetta Ufficiale dell'avviso di convocazione e fino alla data dell'Assemblea. La documentazione e le relazioni illustrative del Consiglio di Amministrazione all'Assemblea relative al punto 1) dell'ordine del giorno saranno depositate presso la sede sociale e gli enti in precedenza indicati a partire dal 29 aprile 1996 e vi rimarranno fino alla data della riunione assembleare. Le liste di candidati al Consiglio di Amministrazione che saranno presentate dai soci che rappresentino almeno l'1% del capitale sociale e dal Consiglio di Amministrazione uscente, depositate e pubblicate nei termini in precedenza indicati, saranno tempestivamente messe a disposizione delle Casse incaricate.

Gli Azionisti che intendono esercitare il voto per corrispondenza dovranno farne richiesta agli enti indicati nell'avviso di convocazione depositando presso gli stessi le azioni o, per le azioni amministrate dalla Monte Titoli, la certificazione di cui all'articolo 3 della Legge 19 giugno 1986, n. 289.

Gli enti indicati nell'avviso di convocazione rilasceranno agli Azionisti che intendano esercitare il voto per corrispondenza il biglietto di ammissione alla votazione e una cartella contenente la scheda di voto corredata con la documentazione relativa ai punti dell'ordine del giorno e con la documentazione esplicativa sulle modalità di esercizio del voto per corrispondenza, nonché una busta già predisposta per l'invio alla Società.

La busta contenente la scheda di voto e il biglietto di ammissione alla votazione dovrà pervenire alla Segreteria Societaria dell'ENI S.p.A., Piazzale Enrico Mattei, 1 - 00144 ROMA, entro e non oltre il 10 maggio 1996.

Le schede pervenute alla Società oltre il suddetto termine, o non corredate con il biglietto di ammissione alla votazione, non saranno considerate ai fini della costituzione dell'Assemblea e della votazione; le schede pervenute alla Società prive della sottoscrizione non saranno considerate ai fini della votazione. Il voto per corrispondenza è incompatibile con il rilascio di delega e deve essere esercitato direttamente dal titolare del diritto di voto sulle azioni.

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I Signori Azionisti sono cortesemente invitati a presentarsi in anticipo rispetto all'orario di inizio dell'Assemblea al fine di agevolare le operazioni di ammissione; le operazioni di registrazione saranno espletate presso la sede di svolgimento dell'Assemblea a partire dalle ore 9.

La Segreteria Societaria dell'ENI è a disposizione per eventuali ulteriori informazioni ai seguenti numeri:
Telefono 06/59822421 - Fax 06/59822233.

The Italian text prevails over the translation into English

NOTICE OF SHAREHOLDERS' MEETING

The Ordinary Shareholders' Meeting of ENI S.p.A. is to be held in Rome, Auditorium del Massimo, Via Massimiliano Massimo, n. 1/7, on May 14, 1996 at 10 a.m. local time on first call, and, where necessary on May 15, 1996 at the same time and location on second call, to discuss and resolve on the following

Agenda

1. ENI S.p.A. Financial Statements at December 31, 1995, Consolidated Financial Statements, Report of the Directors on the operations, Reports of the Board of Statutory Auditors and of the Independent Auditors: related resolutions;
2. Distribution of dividends;
3. Determination of the number of the Board of Directors' members;
4. Determination of the Directors' term;
5. Appointment of Directors;
6. Appointment of the Chairman of the Board of Directors;
7. Determination of the Chairman's and Directors' compensation.

Pursuant to the By-laws, Directors will be appointed from a list, with the exception of the Director appointed by the Minister of the Treasury, in agreement with the Minister of the Budget and Economic Planning and the Minister of Industry, Trade and Crafts.

Shareholders representing at least 1% of the Company's capital stock and the current Board of Directors may present a list of candidates to the Board of Directors according to the procedures set in the By-laws. The lists presented must be deposited at the Company's Registered Office and published in at least three Italian newspapers of general circulation, two of them business dailies, at least twenty and ten days prior to the date set for the Shareholders' Meeting on first call, respectively for the list presented by the current Board and for those presented by the Shareholders.

Admission to the Meeting will be granted to Shareholders who have deposited their Shares at least five days prior to the date of the first call at the Company's Registered Office in Rome, Piazzale Enrico Mattei, 1 or with one of the following Agents: Banca Commerciale Italiana S.p.A., Credito Italiano S.p.A., Istituto Bancario San Paolo di Torino S.p.A., Banco di Napoli S.p.A., Banca Nazionale del Lavoro S.p.A., Banco Ambrosiano Veneto S.p.A., CARIPLO-Cassa di Risparmio delle Provincie Lombarde S.p.A., Banca Monte dei Paschi di Siena S.p.A., Banca di Roma S.p.A., Banca Fideuram S.p.A., Banco di Sicilia S.p.A., Deutsche Bank S.p.A., Sofid Sim S.p.A., Citibank N.A., Morgan Guaranty Trust Company of New York - ADR Administration New York and Securities Services Milan, and Monte Titoli S.p.A. for the Securities it manages.

Vote may be exercised also by mail pursuant to the provisions contained in the "Regulation regarding the conditions and procedures followed for the exercise of voting rights by mail" issued on December 30, 1994 by the Bank of Italy, Consob and ISVAP and published in the Gazzetta Ufficiale no. 4, January 5, 1995 (Serie generale). The resolution proposals of the Board of Directors to the Shareholders on each item in the agenda and the relating reports on items from 2 to 7 in the agenda have been deposited at the Company's Registered Office and with the above mentioned Agents and shall remain at the Shareholders' disposal until the date of the Meeting. The documentation and the reports on item 1 in the agenda will be deposited at the Company's Registered Office and with the above mentioned Agents from April 29, 1996 and shall remain at the Shareholders' disposal until the date of the Meeting. The Vote by Mail Card, together with the Admission Ticket Card, will have to be received by ENI S.p.A., Segreteria Societaria, Piazzale Enrico Mattei, 1 - ROME, 00144 Italy by May 10, 1996.

Beneficial Owners of ADRs, each of them representing ten ordinary Shares issued by ENI S.p.A., listed on the New York Stock Exchange who have deposited their ADRs with the Morgan Guaranty Trust Company of New York by April 30, 1996 will be entitled to participate in the Meeting or to exercise votes by mail, after having complied with the deposit and registration requirements for Shares held. Beneficial Owners who have taken advantage of Proxy Vote or Vote by Mail options are entitled to observe the Meeting upon written request to be made to the Morgan Guaranty Trust Company of New York, ADR Depositary.

The Chairman of the Board of Directors
Ing. Luigi Meanti

INFORMATION FOR SHAREHOLDERS

Lists of candidates and their publication

Shareholders representing at least 1% of the Company's capital stock and the current Board of Directors may present lists of candidates to the Board of Directors. Lists must be deposited at the Company's Registered Office together with a declaration from each candidate accepting nomination and attesting, under his/her own responsibility, that there are no impediments to his/her appointment and no conflict of interest resulting from the same, and that he/she meets the requirements set by current legislation to hold the office of Director. Lists presented by Shareholders and the current Board of Directors must be published in at least three Italian newspapers of general circulation, two of them business dailies, respectively at least ten and twenty days prior to the date set for the Shareholders' Meeting on first call. In order to give proof of ownership of the number of Shares necessary to present a list, Shareholders must present and/or deliver to the Company's Registered Office at least five days prior to the date set for the Meeting on first call, copy of the Admission Ticket Cards issued by the depositaries of the Shares.

Each Shareholder will be allowed to present or be involved in the presentation of only one list and each candidate may be included in only one list, under penalty of being barred from election.

Each Beneficial Owner may vote for one list only.

Vote by Mail

Beneficial Owners may exercise their right to vote also by mail pursuant to the "Regulation regarding the conditions and procedures to be followed for exercising voting rights by mail" issued on December 30, 1994 by the Bank of Italy, Consob and ISVAP and published in the Gazzetta Ufficiale no. 4, January 5, 1995 (Serie generale).

Vote by Mail Cards, together with the proposals of the Board of Directors on each item in the agenda and the reports regarding the items from 2 to 7 in the agenda of the Shareholders' Meeting, may be requested by the shareholders to the Company and the Agents from the day of publication in the Gazzetta Ufficiale of the Notice of Meeting to the date of the Meeting. The documentation and the reports of the Board of Directors to the shareholders on item 1 in the agenda will be deposited at the Company's Registered Office and with the above mentioned Agents from April 29, 1996 and shall remain until the date of the meeting. The lists of candidates to the Board of Directors to be presented by Shareholders representing at least 1% of the Company's capital stock and by the current Board of Directors, deposited and published according to the terms above mentioned, will be delivered to the Agents as soon as they become available.

Shareholders who intend to exercise their vote by mail must apply to the Agents indicated in the Notice of the Meeting, depositing their Shares with such Agents or, for the Securities deposited with Monte Titoli, by supplying the certificate pursuant to article 3, Law 289, June 19, 1986.

Agents indicated in the Notice of Meeting will issue to Shareholders who wish to exercise their vote by mail the Admission Ticket Card and a folder containing the Vote by Mail Card together with the documentation regarding items in the agenda, the documents explaining the vote by mail procedures and an already addressed envelope for the delivery to the Company.

Envelope containing the Vote by Mail Card and the Admission Ticket Card will have to be received by ENI S.p.A.- Segreteria Societaria, Piazzale Enrico Mattei, 1 - ROME, 00144 Italy by May 10, 1996.

Cards received by the Company after such date, or not accompanied by the Admission Ticket Card, will be considered neither for the Meeting nor for the voting procedure. Cards received by the Company that have not been signed will not be considered in the voting procedure.

The exercise of vote by mail is not compatible with voting by proxy and must be exercised in person by the Beneficial Owner.

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Shareholders are kindly requested to arrive at the Meeting in advance with respect to the time at which the Meeting is due to start, to allow for admission procedures. Registration for the Meeting will take place at the same location of the Meeting starting at 9 a.m..

ENI's Corporate Secretary is available for any further information Shareholders may need at the following numbers:
Telephone +396/59822421 - Fax +396/59822233.

COMMODITIES AND AGRICULTURE

Labrador nickel project 'poses no threat'

By Kenneth Gooding, Mining Correspondent in Paris

The huge Voisey's Bay nickel venture in Canada poses no serious threat to existing producers of the metal, Mr Yves Rambaud, chairman of Eramet, the western world's third largest nickel producer, insisted yesterday.

He suggested that Voisey's total production costs would not be as extraordinarily low as had been indicated and that it was hopelessly optimistic to believe that such a big mining and processing complex, destined for such a remote part of Labrador, could be in production by the year 2000.

Mr Rambaud said Eramet had made no change to its own expansion plans. It aimed to spent FFr2bn to lift annual capacity at its nickel complex in New Caledonia gradually from 50,000 to 60,000 tonnes by 2000.

While Voisey's cash production costs would be comparatively low, Mr Rambaud pointed out that the capital cost – forecast to be about US$1.1bn – would be very high and total costs would reflect this.

The total cost per pound of producing nickel was likely to be lower at Eramet's expanded New Caledonia complex.

However, Voisey's did present a problem for potential new nickel mines. They would have to examine their expected costs very carefully.

As for timing, Mr Rambaud pointed out that several important issues still remained to be solved at Voisey's, including the technical methods to be used and agreements with indigenous peoples, while Newfoundland had to devise a new tax structure for the mining complex.

If nickel demand, as expected, continued to grow at between 2 and 3 per cent a year, Voisey's annual output of 115,000 tonnes would be needed when it came into production – in 2003 or 2004 in Mr Rambaud's opinion. Very little other new capacity was scheduled before 1999.

After a battle with Falconbridge, the western world's second largest nickel group, Inco, another Canadian company, which is the biggest in the business, seems likely to gain control of Voisey's.

Mr Rambaud said that was extremely good news for the industry. An entirely new entrant to the industry would have produced flat out at Voisey's even when demand and prices were very low. Inco had substantial existing operations, some high-cost, and would have to take into account what impact Voisey's output would have on them.

Australian miners count cost of cyclone

By Nikki Tait in Sydney

Mining companies in Australia's Pilbara region were yesterday totting up the damage and cost of lost production in the wake of Cyclone Olivia, the most severe of this season's tropical cyclones to hit Western Australia.

The category four cyclone, similar in intensity to the one that flattened Darwin two decades ago, tore through the resource-rich area on Wednesday night, with wind gusts peaking at around 139 knots.

Most of the iron ore mines in the region were closed. Hamersley Iron, part of the RTZ-CRA group, shut down at Tom Price, Paraburdoo and Marandoo on Wednesday evening, and cleared them of hundreds of workers. BHP mines at Mt Whaleback and Yandi were also closed.

Woodside Petroleum, operator of the large offshore North West Shelf oil and gas project also unhooked its floating production and storage vessels and moved them out of the area, although gas production facilities remained in operation.

The worst impact, however, appeared to come at Pannawonica, a small mining town south of Dampier with a population of around 1,000, where many buildings were damaged and power is likely to be disconnected for several days. The town serves the Robe River mining operations, owned by the Melbourne-based North group. North said last night that the mine remained closed, and it was still trying to assess when production might restart.

More positively, North said that its Cape Lambert loading facilities, where about 3m tonnes of ore was stockpiled, were not affected. By yesterday evening, both BHP and Hamersley had also begun to reopen operations.

● The Queensland state government said yesterday that talks would be held in Normanton this weekend in an effort to find an accelerated solution that would permit RTZ-CRA's A$850m Century zinc mining project to proceed. The timing of the project became uncertain when a native title claim by the local Waanyi people was allowed to be registered with the new Native Title Tribunal, triggering a potentially lengthy negotiation period.

Timing is sensitive because Century wants to supply Pasminco's Budel smelter in Holland by mid-1998, from which time Budel will be required to use "clean concentrates" to meet environmental standards.

Argyle may pull out of diamond cartel

By Kenneth Gooding, Mining Correspondent

Owners of the Argyle diamond mine in Western Australia, in volume terms the world's biggest diamond producer, are seriously considering leaving the international rough (uncut) diamond producers' cartel organised by De Beers' Central Selling Organisation.

Argyle's contract with the CSO expires on June 30 and an official said this week that at present it seemed that it would make more sense for the mine to sell its production direct through its office in Antwerp, Belgium.

Nevertheless, it was still open for De Beers to come up with a final offer and if that was acceptable, Argyle would remain with the CSO.

De Beers has made it clear that it would prefer Argyle, which is 59.7 per cent owned by RTZ-CRA, the Anglo-Australian mining group, and 40.3 per cent by Ashton Mining of Australia, to remain in the cartel. However, it was emphasised that Argyle's desertion would not be as destabilising to the rough diamond market as Russia's threatened to be. Russia only recently agreed in principle to remain with the CSO.

Although Argyle produces a large volume of diamonds, most are of relatively low value and the mine accounts for only 6 to 7 per cent of world production in dollar terms – about US$4bn a year. Under the terms of its CSO contract Argyle sells more than 20 per cent of its production directly through its own marketing operation.

Ashton Mining was incensed by price cuts imposed by the CSO last August, which reduced the amount paid for Argyle diamonds by an average of 10 per cent. That came on top of a cut in the percentage of production – to 85 per cent – De Beers has been taking from members of the cartel.

De Beers argued that the price reductions were forced on it by "leakages" to the west of small Russian diamonds. It had to bring its prices into line with the rest of the market. The South African group also pointed out that Argyle had steadily increased the volume of diamonds it produced, apparently to compensate for the percentage cut made by the CSO.

Oil prices hit 5-year highs

By David Lascelles, Resources Editor

Oil prices hit five-year highs yesterday as continuing stock shortages strained supplies.

Brent crude for May delivery rose $1.28 to $23.13, extending this week's gains, which have taken the price $2.98 higher since the Easter break.

However the market remained in backwardation, with near-term prices well above those for longer term delivery, reversing the normal price pattern. Brent for immediate delivery closed yesterday at $23.88.

Dealers said this pattern reflected the continuing pressures in the short term market where dealers had been caught with low stocks, particularly in the US, and demand for available cargoes remained strong.

Market analysts are still divided over whether the surge in prices reflects temporary factors or more fundamental pressures. Unseasonably cold weather in Europe and the US has boosted demand. However the market remains vulnerable to a UN-brokered deal to permit Iraq to resume supplying limited amounts of oil to world markets, and it is expected that overproduction by Opec would be stimulated if prices remained high for any extended period.

India set for record sugar exports as surplus mounts

Kunal Bose reports on an embarrassment of riches

India, the world's largest producer of sugar, is trying to come to terms with an increasingly unmanageable surplus of the commodity by exporting a record quantity in the 1995-96 season (October-September). The federal government which has already released 500,000 tonnes for export has indicated to the Indian Sugar Mills Association that it will allow further overseas sales.

According to industry officials, India's exports in the 1995-96 season will be at least 1m tonnes, 340,000 tonnes above the record level reached in 1983-84.

In anticipation of fresh export releases, the Indian Sugar and General Industry Exim Corporation, the industry's trading arm, has made export sales contracts for nearly 650,000 tonnes of sugar and purchased 1.3m tonnes from sugar factories all over the country. In addition, the corporation has completed sales of 33,893 tonnes against the country's European Union and US white and raw sugar quotas.

Though sugar for export is sourced mainly from factories close to the ports, the loss on exports is shared equitably by all mills. The loss will not be much this year, however, as world sugar prices have risen and the depreciation in the value of the rupee is working to the advantage of ISGIEC, which is using as many as nine ports for quick shipment of sugar.

Exports alone cannot bail out the industry, which, according to the latest ISMA survey, will be producing a minimum of 15m tonnes of sugar in the current season, compared with 14.64m tonnes in 1994-95. A government financed buffer stock of 1m to 1.5m tonnes would have helped the factories as they are not getting adequate bank credit to maintain sugar sugar. But the government, itself facing a serious liquidity crunch, has created a buffer of only 500,000 tonnes.

Mr Vivek Saraogi, president of the ISMA, says: "Earlier there were indications that the size of the buffer may be increased by another 500,000 tonnes. Informal discussions with the government officials suggest that this may not be feasible. We may have to rest content with a buffer of 500,000 tonnes and that too for a limited period of one year".

> Exports in the 1995-96 season are expected to reach at least 1m tonnes, 340,000 tonnes above the record level of 1983-84

This year, the cane crop being a bumper 264.3m tonnes, up from 259.9m in 1994-95, many factories will be forced to continue crushing at least until the end of May. In Uttar Pradesh, the country's largest cane-growing state, and also in other states in north India, the factories are crushing a lot more cane this year as there is less diversion of raw material to production of gur and khandsari (peasant products) than in the past. Gur and khandsari prices have crashed and the producers are not in a position to buy large quantities of cane.

Crushing by sugar factories, as required by law, will continue while there is any cane left in the field. "What is causing the industry and the government deep concern is the inability of the factories to settle the cane bills," says Mr O.P. Dhanuka, spokesman for the ISMA. "The industry already owes the growers nearly Rs5bn ($142.25m) and by the time, the crushing is over, the unpaid cane bills may rise to Rs8bn."

According to industry officials, the country's sugar production in 1995-96 would have been more than 15m tonnes had it not been for generally lower sugar yields from cane, for some reasons as yet unknown. The fall in the yield has been sharpest in Punjab and Haryana. ISMA has asked the Sugarcane Breeding Institute in Coimbatore and the Indian Institute of Sugarcane Research in Lucknow to find out what exactly has caused the fall in the sugar yield, which has been causing as much concern to the growers as to the factories, and to recommend remedial measures. While the cane price is linked to the yield a high extraction rate improves the viability of a factory.

Industry officials think that issues like cane productivity and the level of sugar yield should be engaging the attention of the agriculture and food ministries instead of the government issuing licences for the setting up of new sugar factories. According to the ISMA, the present capacity of the industry to manufacture 20.2m tonnes is "under-assessed to the extent of 20 per cent". It says existing capacity can easily meet the country's demand for sugar until the end of the century at least. Indian domestic consumption of sugar is growing at an annual rate of 4 per cent.

As for the current season, the total availability of sugar will be at least 20.6m tonnes, including the opening stock of 5.6m tonnes. Domestic consumption will be at most 13m tonnes, so after providing for export and the buffer stock, the end season stock will once again be very high, at about 6.1m tonnes.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne) — [illegible]

■ ALUMINIUM ALLOY ($ per tonne) — [illegible]

■ LEAD ($ per tonne) — [illegible]

■ NICKEL ($ per tonne) — [illegible]

■ TIN ($ per tonne) — [illegible]

■ ZINC, special high grade ($ per tonne) — [illegible]

■ COPPER, grade A ($ per tonne) — [illegible]

■ HIGH GRADE COPPER (COMEX) — [illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild) — [illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.) — [illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) — [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) — [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) — [illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel) — [illegible]

■ CRUDE OIL IPE ($/barrel) — [illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.) — [illegible]

■ GAS OIL IPE ($/tonne) — [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) — [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) — [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne) — [illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) — [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) — [illegible]

■ BARLEY LCE (£ per tonne) — [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) — [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) — [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) — [illegible]

■ POTATOES LCE (£/tonne) — [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) — [illegible]

SOFTS

■ COCOA LCE (£/tonne) — [illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) — [illegible]

■ COCOA (ICCO) (SDR's/tonne) — [illegible]

■ COFFEE LCE ($/tonne) — [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) — [illegible]

■ COFFEE (ICO) (US cents/pound) — [illegible]

■ WHITE SUGAR LCE ($/tonne) — [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) — [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	86.75	-0.82	88.30	86.25	6,355	17,715
Jul	88.15	-0.44	89.45	87.80	4,570	19,549
Oct	83.60	+0.80	83.80	83.10	281	2,928
Dec	81.25	+0.26	81.25	80.65	3,381	21,758
Mar	81.95	+0.20	82.00	81.95	150	2,820
May	82.50	+0.17	82.50	82.20	28	1,080
Total					14,807	67,824

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	132.60	-0.45	132.60	131.20	482	12,075
Jul	130.25	-0.20	130.70	129.75	438	5,172
Sep	128.50	-0.05	129.50	128.00	153	2,958
Nov	126.25	-0.35	127.00	126.00	29	850
Jan	123.50	-0.25	123.50	123.50	67	3,084
Mar	125.50	+0.25	125.25	125.25	4	185
Total					[illegible]	24,175

FUTURES DATA
All futures data supplied by CMS.

Wool

[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 11	Apr 10	month ago	year ago
2120.6	2103.2	2134.3	2317.6

■ CRB Futures (Base: 1967=100)

Apr 10	Apr 9	month ago	year ago
258.91	255.82	247.32	236.32

■ GSCI Spot (Base: 1970=100)

Apr 10	Apr 9	month ago	year ago
215.55	212.76	195.31	182.04

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs) — [illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs) — [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs) — [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME — [illegible]

■ COPPER (Grade A) LME — [illegible]

■ COFFEE LCE — [illegible]

■ COCOA LCE — [illegible]

■ BRENT CRUDE IPE — [illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) — [illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$238-240	+6
Gas Oil	$203-204	+5
Heavy Fuel Oil	$107-109	
Naphtha	$213-218	+10
Jet fuel	$214-216	+4.5
Diesel	$203-205	+5

■ NATURAL GAS (Pence/therm)

Bacton (May)	9.25-9.35#	-0.025

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$394.60	-0.00
Silver (per troy oz)♣	551.00c	+1.50
Platinum (per troy oz.)	$407.75	+1.45
Palladium (per troy oz.)	$138.00	
Copper	121.0c	+2.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.85r	-0.05
Tin (New York)	289.5	-2.0
Cattle (live weight)	98.29p	-12.93*
Sheep (live weight)	191.56p	+7.68*
Pigs (live weight)†	111.14p	-1.98*
Lon. day sugar (raw)	$308.3	+4.5
Lon. day sugar (wte)	$411.5	+6.5
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	148.5	
Wheat (US Dark North)	Unq.	
Rubber (May)♥	98.50p	+0.75
Rubber (Jun)♥	98.50p	+0.75
Rubber (KL RSS No1)	368.00m	+0.50
Coconut Oil (Phil)§	$747.5v	+2.5
Palm Oil (Malay.)§	$540.0	+7.5
Copra (Phil)§	470.0v	
Soyabeans (US)	229.0v	+4.0
Cotton Outlook'A' Index	84.10c	
Wooltops (64s Super)	444p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x May. v Apr/May. y Apr/Jun. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,296 head of pigs sold. #Corrected figs for 10/4/96. 9.25-9.40

JOTTER PAD

CROSSWORD

No.9,041 Set by VIXEN

ACROSS

1 Hard worker – after a stoppage (7)
5 Judge taking part in rare settlement (7)
9 Like a small house in Berkshire (5)
10 He saw himself as most lovable – such a bloomer! (9)
11 Alter the siting of the stove at the back (9)
12 Faithful ally getting agitated about nothing (5)
13 Mock the Bohemian girl having a large figure (5)
15 Exercising care, led in a foreigner (9)
18 Cast off clothing (9)
19 Is inclined to get wound up in back-street (5)
21 A little splinter group's put down (5)
23 Plain-spoken with depressed Tories (9)
25 Law allowing Italian capital to be invested in armaments (9)
26 Brew tea or just muse (5)
27 European man accepting setback (7)
28 The governor may be put inside! (7)

DOWN

1 A couple of beasts getting letters all mixed up (7)
2 Bill made demands – commended for it (9)
3 Player in a most satisfactory situation (5)
4 Holdings in cane set to come to grief (9)
5 Serving men in time for match (5)
6 Highly intelligent till brain degenerated (9)
7 Peevish note written with a pen (5)
8 A stock-taker making little sound? (7)
14 The spare room (9)
16 Kind of gift women tend to make (9)
17 Retreat – American soldiers retreat – to blame for abuse (9)
18 Even this should present a corporate image (7)
20 Record collection many have (3,4)
22 Subject to ups and downs in the main (5)
23 Compressed, which is not at all sensible (5)
24 About a day before the bailiff's appearance (5)

Solution 9,040

SYMBOLIC CAMBER
E E R N R A
STAGNATE LITTER
A G A I A R E
MARITIME REGAIN
E E E I C T Y E
ADROITNESS
P O A A R E U S
ABROGATION
S I I E N P E C
SIESTA RATIONAL
W N A T C B A
OCTETS SICKLIER
R A E O L E E
DELUDE INTERNET

صكتا من الاجل

INDIAN BANKING AND FINANCE

Reforms hold key to progress

Without big-scale privatisations and improved levels of savings, India's recovery will remain fragile, says Mark Nicholson

These are uncertain times for the architects and present custodians of India's economic liberalisation, those ministers of the Congress Party government and the senior bureaucrats who have been responsible for managing more than four years of de-licensing, deregulation, tax and trade reform.

Their efforts have helped to take India from economic crisis in 1991 to growth exceeding 6 per cent in 1995-96, low inflation, a stronger trade and industrial performance, rising investment, and unprecedented levels of both foreign interest and capital inflows.

But India's least predictable election in years is just weeks away. The political hue and, to some extent, the economic orientation of India's next government are difficult to predict. The best estimate at present is that some form of coalition will emerge after the poll, expected this month, perhaps containing a sizeable Congress presence.

The Bharatiya Janata Party (BJP), which is right-wing and Hindu nationalist, believes, however, that conditions exist for it to flourish. Leftist parties, too, believe they can benefit from being seen to be less sullied than either Congress or the BJP by the recent and widening political bribes scandal.

A political shift in favour of either the BJP or the left could affect reforms in India. Manifestos remain unpublished, but the BJP can be expected to be less enthusiastic about foreign investment, for example, but look more favourably on privatisation. A strong leftist presence in any coalition could thwart deeper public sector reforms.

With this in mind, Mr Manmohan Singh, the finance minister, and his economic team, have lately become more explicit and vocal than ever in outlining the policies and approaches that they believe to be essential for the next government, if it wishes to alleviate poverty and turn economic recovery into a real foundation for south-east Asian growth rates of 8 per cent.

At one level, Mr Singh's message is that the liberalising reforms of the past four years are now "truly irreversible", and that India's economic "mindset" has been transformed towards openness, competition and "de-bureaucratisation" of the economy. "Economic policy-making has become very de-politicised," he said recently.

At another level, though, Mr Singh has warned starkly against what he called during February's interim budget speech "the forces of obscurantism", which, by opposing further, deeper and wider foreign investment would "perpetuate economic backwardness".

In such swipes at advocates of "economic nationalism", leftist or Hindu nationalist, Mr Singh declares that India must emulate east Asian economies. "For India to aspire to sustained growth at 7 to 9 per cent over the next two decades, we have to be prepared to encourage a rapid increase in foreign direct investment (FDI) to levels comparable to China's $30bn or more per year."

FDI inflows to India for 1995-96, although double those of a year earlier, were only $2bn.

This is just one part of the finance ministry's message. The other is that India must take drastic steps to improve the efficiency of its public sector and, more generally, of the mobilisation of domestic resources for investment.

To push economic growth up a gear, India requires colossal sums of private and foreign investment in infrastructure, the energy sector, agriculture and basic manufacturing. Mr Singh puts the figure needed at $200bn over the next decade.

But to supplement this, and to safeguard macroeconomic stability in an increasingly open economy, it also needs to reform and restructure the sprawlingly inefficient public sector, which is a net drain on domestic resources and which, unreformed, will undo the government's currently fragile fiscal rectitude.

"Whether or not India gets foreign capital," says Mr Rajiv Lall, vice-president economics for Morgan Stanley Asia, "the government can't escape the reality that it has to undertake privatisation in the next couple of years. It's rapidly becoming a question of being able to contain the growth of government debt, which is coming closer and closer to being unsustainable."

India's consolidated public sector debt is now 90 per cent of GDP, worryingly high by international standards. Moreover, the cost of this debt is growing as the government shifts from relying on pre-empted and low-interest funds from the banking sector to raising money through market borrowings. "To reduce the build up of debt, divestment in public enterprises has to be pursued aggressively," the finance ministry's recent economic survey stated.

So far, divestment has been at a very slow pace. Small stakes from 40 state enterprises, nowhere exceeding 45 per cent, have been sold. A further Rs50bn of asset sales is provisionally budgeted for next year. But up to now, the sales have been seen as offering a short-term fillip to central government revenues rather than as an attempt either to retire meaningful chunks of state debt, or to shift ownership and improve efficiency of a slothful public sector which, more than anything else, contributes to the government being a net dissaver to the tune of 1.7 per cent of GDP.

Public sector reform is therefore crucial to India's ability to generate its own investment resources. Though the country's savings rate unexpectedly jumped 4 points to 24.4 per cent last year, this level pales besides those of India's east Asian neighbours. China's savings rate is 40 per cent, Malaysia's 34 per cent, Indonesia's 38 per cent and Thailand's 36 per cent. "The entire difference between Malaysia's rate of saving and India's is due to public sector performance," says Mr Lall.

The size and efficient mobilisation of domestic resources will also hinge on public sector reforms other than privatisation. Liberalisation of the insurance industry, for instance, is so far an unfulfilled promise, but one that would substantially raise and liberate funds for the creation of a liquid long-term debt market.

Reform is slowly under way in the public sector banks that dominate India's banking market, but here, as in the state-owned insurance sector, further restructuring and reform are necessary to loosen the average 40 per cent of banks' loan portfolios currently tied up in "directed credit" and statutory reserves.

Banking and insurance reforms, however, could provide stern political tests for India's next government. The threat of opposition from organised labour – which deterred the Congress government from privatising more aggressively – could become stronger. Meanwhile, a concerted privatisation programme that sought to attract foreign investors would also raise cries from the vocal "economic nationalist" lobby. "None of the parties is clear on how they should treat the public sector," says Mr Rakesh Mohan, until recently chief economic adviser to the industry ministry.

But there are outstanding reforms that may generate an easier consensus, whichever parties comprise the next central government. One is the further rationalisation of policies surrounding private and foreign entry into basic infrastructure, which is India's biggest, most urgent investment requirement. Though there have been some nasty hiccups in attempts to draw private capital into telecommunications and power – controversy over the basic telecoms bidding procedures, for example, and the travails of Enron, the US power group, in Maharasthra – there is, nevertheless, broad agreement over the direction of policy.

The outstanding agenda would include creation of independent regulatory authorities for infrastructural services, the development of clearer and more transparent bidding procedures, and a reduction in the number of required approvals for investments. New policies for investment in roads and ports still need to be written.

Moreover, in the area of infrastructure – as with some other aspects of "the new economic policy" – many state governments have not only embraced the reformist spirit, but are moving ahead faster than the centre. And there are clear signs that intra-state competition for infrastructural and other investment, foreign and domestic, will continue whatever the political colour of India's next central government.

In many cases, state governments feel forced to privatise and embrace radical reform because of the paucity of resources available to them. Their ability to raise their own funds rests largely on levying sales taxes. And, unlike the central government, the states cannot resort to printing money. "Some states have no choice but reform because they are already in a critical economic position," says an Indian economist. "State governments are also closer to the people than the centre, so they also have an incentive to act faster."

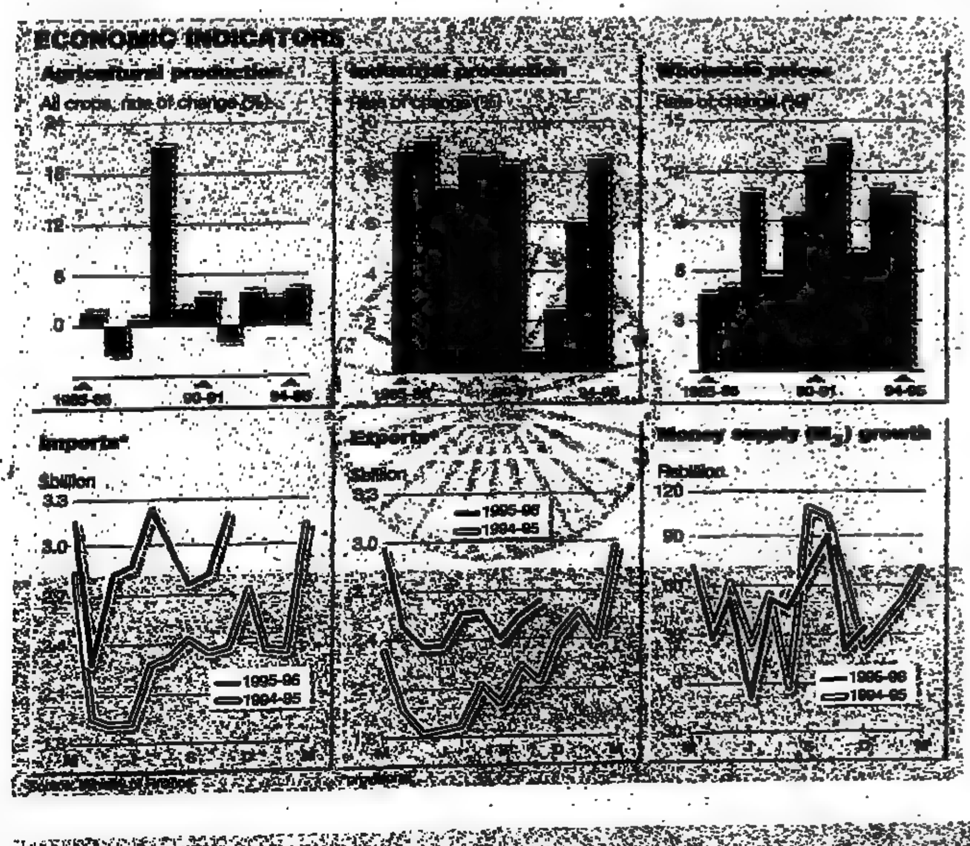
Such pressures have induced the poor eastern state of Orissa to become India's first to begin the privatisation process of its state electricity board. It has already passed laws to introduce an independent regulator and to pave the way for the eventual privatisation of the generation, transmission and distribution of electricity – a policy initiated by the state's previous leftist Janata Dal government. Other states, such as the equally poor Bihar, are following cautiously. In Gujarat, the BJP government is forging ahead with ambitious plans to privatise the western state's ports.

The BJP governments of Gujarat and Maharashtra, the leftist Janata Dal government of Karnataka, and the communist party government of West Bengal have all embraced, partly from economic exigency, the core reformist tenets of the last four years. And it is quite conceivable that a similar dynamic will work upon India's next government at the centre, whatever its party make-up.

Mr Singh and his team's economic reforms were hatched in a grave fiscal and balance-of-payments crisis. Their bequest is a growing economy and an improved, if still fragile, fiscal position. But as the economic survey warned, without a "significant and sustained" further cut in the fiscal deficit, from this year's 5.9 per cent of GDP, and failing "drastically improved" public sector savings, "the prospects for macroeconomic stability are bleak". So the choice before the next government seems clear: undertake necessary, deeper reforms to avert India's next fiscal crisis, or be forced to do so later, because of it.

The finance minister Manmohan Singh: wishes to repel the forces of 'economic nationalism' and 'obscurantism' and promote foreign investment Reuter

IN THIS SURVEY



The parliament building, New Delhi could house a coalition government after this month's elections Tony Andrews

State Bank of India: by a special correspondent

Flagship relaunches

India's largest financial institution is restructuring and streamlining its operations

Traditionally, Indian banking has had a reputation for inefficiency. Long queues and dusty bureaucracy are common images associated with India's public banks.

However, economic liberalisation, partial deregulation and increasing competition from foreign and private banks have brought profound changes in the industry.

With the new climate, the flagship of Indian banking, the State Bank of India (SBI), is also altering course.

India's largest bank and financial institution is restructuring to streamline its monolithic operating structure and raise profitability in an attempt to maintain its pre-eminent position in an increasingly deregulated market.

In April 1994, it began the restructuring by inviting the management consultants McKinsey and Co to review its operations, a process completed at the end of last month. At stake is the future profitability of what is one of the largest banks in the world in terms of branch network and staff numbers.

With about 225,000 employees, SBI has nearly 9,000 branches and another 4,000 in seven subsidiary banks in which it holds stakes of 90 to 100 per cent. This network is reflected in its dominance of the Indian financial scene: it has a market share of 23 per cent of aggregate banking deposits.

However, as an S. G. Warburg research paper has pointed out, the challenges facing the bank over the next decade are great.

"Chief among these are the systemic and structural problems associated with overmanning and poor profitability," S. G. Warburg said. It added that the bank's return on assets remains less than 1 per cent and that 200 of its branches generate more than 80 per cent of SBI's profits.

The overhaul has started with the formation of a four-pillar structure for the bank – corporate banking, national banking, international banking and associated subsidiaries.

The corporate banking group is aimed at serving the top 150 corporate customers – the most profitable section of the bank and the most vulnerable to poaching by fast-growing private rivals.

The national banking group will focus on the middle-market including small to medium-sized businesses, agriculture and personal banking. This group is also responsible for raising retail deposits.

As its name suggests, the international division will look after overseas interests.

The associated subsidiaries of the group include SBI Capital Markets (the largest merchant bank in the country), SBI Funds Management, SBI's seven associate regional banks and SBI Home Finance. Further subsidiaries are planned to conduct gilts dealing, share registry and credit card operations.

SBI officials say restructuring is aimed at making the bank more profit-orientated and responsive to customers.

The new SBI chairman, Mr P.G. Kakodkar, says the size of the bank is a strong competitive advantage but it should suppose that might is right: "We have to become more efficient, more nimble to meet customer needs."

The restructuring will aim to streamline the decision-making hierarchy and delegate more powers to staff who work closely with customers. In addition, the bank is embarking on a modernisation campaign that will computerise its branches. At present, it has only 100 fully computerised branches; by the end of 1996, it hopes to have 1,000.

The bank set itself financial goals as part of the McKinsey review. It will aim to increase its returns on assets to more than 1 per cent, lift return on equity to 20 to 25 per cent and achieve a capital adequacy of 8 per cent by the end of the fiscal year to March 1997.

It is also aiming to cut non-performing assets to less than 10 per cent and its expense/income ratio to 60 per cent.

Most analysts suggest the bank is well on target to reach these goals. However, the scope for restructuring SBI's business further is curtailed by external forces.

Despite the many banking reforms made since 1991 when the Narasimhan committee recommended large-scale changes to the industry, there still remains a hangover of social obligations, political interference and restrictive practices developed over the past 50 years.

S. G. Warburg says many Indian banks spent the "post-war era in a purgatory of lost opportunities and soviet-style central planning, made worse by enthusiastic political interference and the imposition of heavy social development burdens not conducive to the development of efficient capitalism".

Tight labour laws form a significant block to restructuring, meaning that SBI cannot simply retrench staff to improve efficiency. The bank has, however, been able to make progress by no longer replacing employees who retire. The Peregrine India analyst Mr Sandeep Dixit says that while the total size of SBI's balance sheet increased by 11 per cent in 1993-94 and 9.4 per cent in 1994-95, the number of employees has grown by only 1.3 per cent in each year.

As with most corporate restructurings, the battle to improve efficiency is as much cultural as structural.

Mr S. N. Sawalkar, SBI chief-general manager, says the bank is working hard to develop a more commercially-responsive attitude among employees.

He says that under the bureaucratic style of operations that developed in several state-run companies, many employees exercised "excessive caution" in order to avoid "losses to the tax payer". This slowed down the decision-making process and hindered customer service.

Mr Sawalkar says the bank is now encouraging employees to take initiatives to develop better customer relations. However, he admits the focus of the restructure has been to develop the right commercial environment for the bank.

"We are like a supertanker. You cannot have a completely informal structure," he says.

Retail banking: by Shiraz Sidhva

What a difference a decade makes

Credit cards, car loans and new technology have revolutionised the sector since 1985

When Citibank started retail banking in India in 1985, most banks paid more attention to the corporate side of the business, neglecting the fact that the individual consumer could contribute significantly to profits. Automatic teller machines and plastic credit cards were non-existent, consumer finance was unheard of, and cash deposits or withdrawals, especially in India's nationalised banks could take up the better part of a day.

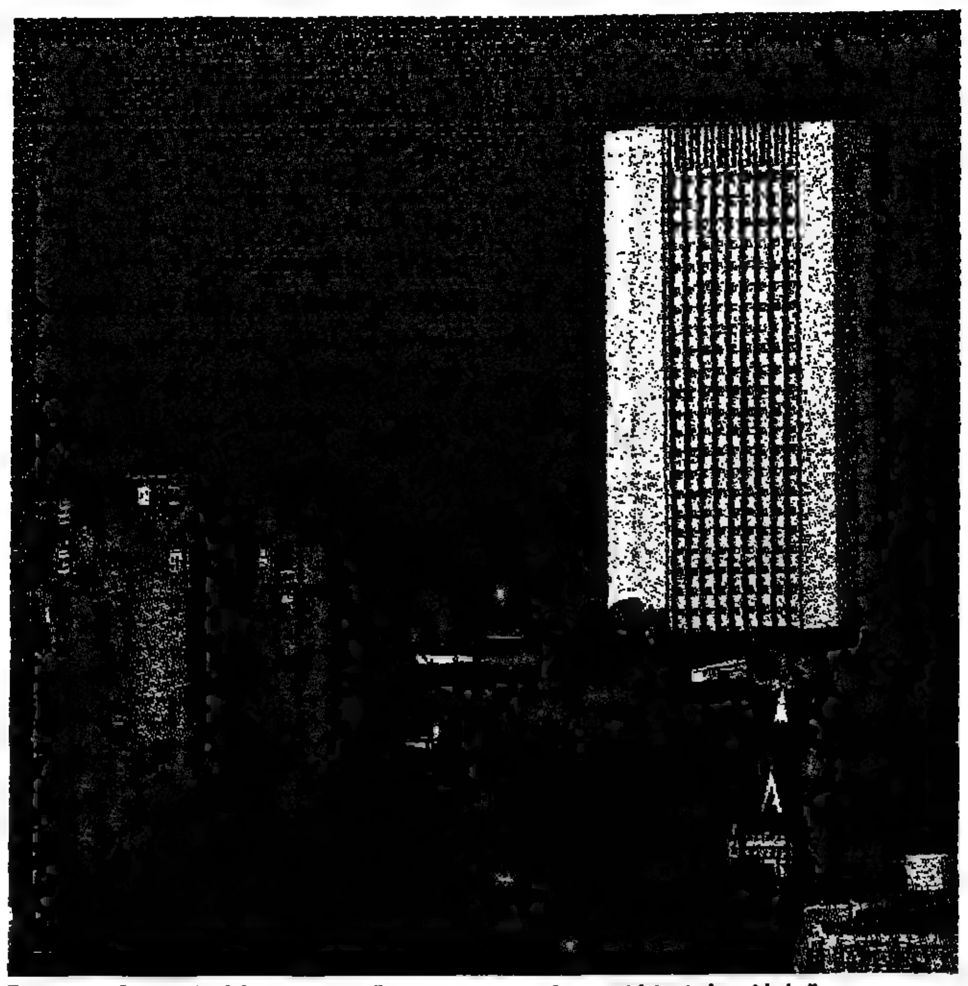
Today, foreign and Indian banks offer a range of retail banking services, changing the way personal banking is done. Although most banks in India can now virtually match its facilities, Citibank, with its early start and its aggressive and innovative marketing, commands a position of leadership in the country's retail banking market.

The US bank, which came to India in 1902, invested in retail banking infrastructure in the country six years before economic liberalisation opened up the economy in 1991.

"We began retail banking in India as part of a larger commitment to become a global retail bank, and to expand in the Asia-Pacific region in the mid-1980s," says Mr Ashoke Dutt, global consumer bank head, India.

"If we command a position of leadership today, it is because we have made a tremendous investment in infrastructure – which includes installing a sophisticated telecommunications network – and have recruited highly qualified and committed people."

At a time when most foreign banks were sceptical about the Indian marketplace, Citibank capitalised on the fact that non-resident Indians were offered attractive incentives to invest in their home country by the Reserve Bank, the country's central bank. Over 12m Indians live abroad, and have an estimated wealth of $300bn, and the bank used its network in 90 countries to provide "neighbourhood bank" levels of service to this group. The personalised service of Indian "relationship managers" was backed up by a state-of-the-art communications network to provide customers with instant access to accounts in their country of origin.


The Reserve Bank helped develop the retail sector by encouraging expatriates to invest in India

"We became ambassadors of India, selling the country to Indians abroad at a time when India was not considered a safe haven for investment even by people of Indian origin," says Mr Dutt. "But they had a subconscious faith in the Citibank brand name and we now have over 50,000 non-resident Indian customers."

When Maruti kicked off a revolution of sorts on India's roads by introducing a small car using the latest technology from Suzuki of Japan (see story on auto finance, page 4), Citibank executives hit upon the idea of providing car loans for the first time in India.

"The car Maruti had was an outstanding product, but it would have piled up in the yard if there had been no auto finance available to sell it," says Mr Dutt. "We pioneered car loans and cleared out the backyard for the company. Today, three out of five cars are bought with auto finance, and we command a 30 per cent market share."

Perhaps the most visible aspect of Citibank's retail banking efforts in India is its credit cards operation. Citibank has a 60 per cent share of the market in India's rapidly burgeoning cards market, which is currently estimated at 1.5m cards. The bank has issued 800,000 cards since it launched the cards division in 1990.

Though ANZ Grindlay's Bank introduced a rupee credit card in 1989, and Visa and Mastercard had entered the market through Indian banks such as Andhra Bank, Central Bank of India and Bank of Baroda nearly a decade before that, it was Citibank that provided the impetus for the cards market to grow.

It adopted an aggressive sales approach not only to market the cards but to make more establishments accept them. Advertising campaigns and special offers were used to urge Indians to use plastic cards more freely. Citibank bought the franchise for Diner's Club in India in 1990, giving it a base of more than 50,000 card holders to start with. (Diner's, the world oldest card, was also India's first, introduced in 1960.)

Most foreign banks, including Standard Chartered, Hong Kong and Shanghai Bank and American Express, have since entered the cards market, but Indian banks are presenting them with tough competition, offering attractive fees and incentives.

"Our main challenge is to beat cash, not other credit cards," says Mr Dutt. "The market is so huge and so untapped, that competition can only expand it. The industry has not even scratched the surface, but until we change the mentality of people and convert them to plastic, cards are not going to be a profitable product."

According to one estimate, there are 500,000 potential card users across the country, but pricing is a big constraint and India's card business will only become viable when the rupee is made a fully convertible currency. Then banks will be able to cash in on the growing travellers' cheques business in India, estimated at $500m currently.

Almost all foreign banks in India offer what they term "personalised banking" but Citibank insists that banking cannot be personalised without having the right infrastructure in place. "You can't have personalised banking without a certain critical size," says Mr Harat Talwar, city banking head, India. "Our global strategy has been to go in early and invest big."

While most business can be transacted quite impersonally through Citibank's ATM network of 65 teller machines in 20 locations across the country, Citibank recently introduced Citiphone banking, a 24-hour telephone banking facility. The service is available to customers across the world who can dial a local number in 43 countries outside India and be connected to the officer in charge of their account at home.

"India has become a source of success transfer," says Mr Dutt.

The bank will soon introduce home-banking through personal computers in India. "The most important thing for a customer is to know what to expect," says Mr Dutt. "Our customers can be sure that they get the same service at any of our branches in India as they would in Manhattan or any other Citibank bank across the globe."

■ **The economy:** by Mark Nicholson

The first roar of the Asian tiger

Radical action is needed to build on the reforms begun four years ago and move India into Asia's fast lane

The tone of Mr Manmohan Singh, India's imperturbably modest finance minister and architect of four years of revolutionising economic reforms, has recently sounded like boasting.

Consider this from last month's interim budget speech: "Our economy is growing faster than 6 per cent a year. Industry is growing rapidly. Agricultural production is strong. Food stocks are high. Employment growth is buoyant. Poverty is declining. Inflation is at its lowest ebb in many years. Exports are booming. Foreign investment is buoyant. Foreign exchange reserves are comfortable. And the level of savings and investment is high."

Moreover, this accurate, if incomplete, picture of India's economy was made just five years after India was plunged into a post-Gulf war economic crisis of such severity that it required the drastic liberalisation and deregulation measures that have marked Mr Singh's tenure. "By any standards," he said, "this has been one of the swiftest and strongest recoveries from a serious macro-economic crisis in the entire world."

This, of course, is not so much boasting as electioneering. Elections are due at the end of this month. So it is not surprising that Mr Singh – however uncomfortable he feels about self-congratulation – is reviewing the results of his government's reforms with satisfaction.

Whether Congress will alone, or in coalition, return after elections to prove that it has the "will and the vision", as the finance minister put it, to undertake further, politically harder but equally essential, reforms is impossible to predict. Two things, though, are clear: considerably more needs to be achieved to meet India's target of reaching south-east Asian growth rates of 7 or 8 per cent a year; and, Mr Singh has provided a strong point of departure for whoever succeeds him.

The economy has been performing strongly and, the finance ministry's recent Economic Survey suggested, "growth appears to be much more sustainable". GDP growth for the fiscal year ending March 31 is 6.2 per cent, after having risen by 6.3 per cent the preceding year, pushed along by strong industrial growth exceeding 10 per cent for 1995-96, up from 8 per cent a year earlier. The capital goods sector has outstripped average industrial growth, topping 14 per cent this year. Imports, also led by a strong appetite for capital goods, have been rising at a rate of 29 per cent in 1995-96, but exports, too, have shown a growth rate of 24 per cent. A "sustainable" current account deficit of $4.8bn, or 1.5 per cent of GDP, is in sight for the year.

Foreign investment continues to rise, with actual direct investment flows expected to exceed $2bn this year, up more than 100 per cent on a year earlier, while, after a lull due to flat equity markets for most of 1995, portfolio flows revived strongly for the first two months of this year and should top $1.5bn for the fiscal year as a whole. Domestic investment resources have also shown a sharp improvement, with the savings rate, despite net dissavings from the public sector, leaping four points to a record 24.4 per cent of GDP after having dipped to below 20 per cent since 1991.

Inflation, too, has improved, hitting a recent 10-year low of just over 4 per cent, partly because the government, in its electioneering, has suppressed administered prices of foods and fuels and partly because tight monetary policies have kept the growth rate of broad money below a target of 15 per cent.

Herein, however, lies part of the flipside of Mr Singh's otherwise upbeat picture. The tighter monetary policies have led industry to complain bitterly over the past several months of a "liquidity crunch", one that has been considerably worsened by the government's direct competition for funds to finance its own spending. Though analysts differ over the real pain being felt by bigger Indian corporations, the money squeeze has led to effective lending rates to industry rising to nearly 19 per cent, which is certainly hurting smaller and medium-sized private enterprises.

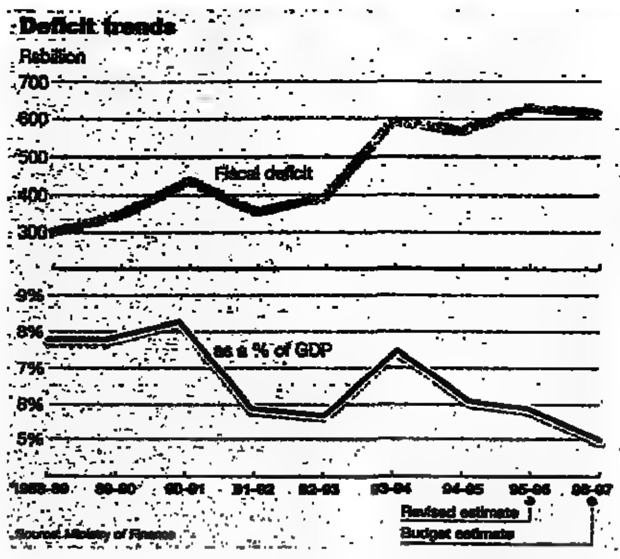
Such high real interest rates and generally tighter money led the authoritative Centre for Monitoring the Indian Economy (CMIE) to forecast a fall in industrial production to slower rates of 7.5 to 8 per cent in its latest monthly report. Short-term growth would also be hit, CMIE argued, both by the recent volatility of the rupee, which nevertheless recently recovered from a record low of Rs38 to the dollar to Rs35, and by slower than expected agricultural growth for this year.

> There are tentative prospects of reducing the fiscal deficit further in 1996-97

To these depressants, analysts, including those at ING Barings and Jardine Fleming, have also added the effects of increasingly severe infrastructural bottlenecks, notably expected worsening power shortages this summer and the capacity constraints at Indian ports. Both factors have led them to suggest lower overall GDP growth for next year.

Perhaps more encouraging, however, has been the government's relative success in containing the fiscal deficit for 1995-96, and the tentative prospect of further improvements for 1996-97. In his interim budget, Mr Singh announced a fiscal deficit of 5.9 per cent of GDP, against a target of 5.5 per cent. "I would have liked to do better," he said.

Deficit trends



Source: Ministry of Finance

That he could not was due largely to two factors. One is an accounting convention whereby "small savings", individuals' savings that are effectively paid to the central government and then two-thirds automatically on-lent to the states, appear as government expenditure in the national accounts. Small savings sums are outside central government control, since they depend on individuals' savings decisions. These sums surged in 1995-96, increasing the accounted central outlays. Had they not exceeded budgeted figures, Mr Singh said the fiscal deficit would have been a more respectable 5.6 per cent of GDP.

The second factor was that the government got only Rs3.47bn of an expected haul of Rs70bn from "disinvestment" of shares in state enterprises. Dull equity markets forestalled its plans for earmarked sales, and depressed receipts from the one tranche of shares it did offer to the market. The divestment shortfall contributed to the government's need to compete for funds on the market with the private sector, forcing interest rates up.

The better news was that much of the shortfall was compensated by a Rs67bn bonus in tax, and particularly excise, receipts – a persisting positive legacy of four years of tax reforms designed to lower and rationalise tariffs and rates across the board.

Since Mr Singh could offer only an interim budget, given the proximity of elections, he could make only tentative estimates for next year's fiscal deficit, and was not able to alter the tax regime at least for the first four months of the next fiscal year. However, on the basis of Rs50bn of "disinvestment" receipts, which an expected post-election market rally might well support, and an assumption that the existing tax regime would continue to swell state receipts, he suggested a deficit of 5 per cent of GDP. The assumption is that the tax take as a percentage of GDP would rise from 10.1 per cent this fiscal year to 10.3 per cent next – a figure independent economists consider reasonable.

A cut of almost a percentage point in the fiscal deficit would be a notable achievement. But it will rest in the hands of a new government, one whose political complexion and economic orientation are, even a few weeks before the poll, impossible yet to predict.

"The tasks of economic reform are by no means over," Mr Singh told parliament last month, adding that the next stage of reform "will not be easy". This, he said, will require radical public sector reforms, liberalisation of the mostly unreformed agriculture, coal and energy sectors, labour market restructuring and deeper reforms to policies in infrastructure sectors, notably in power.

This will all require considerable political boldness by the next government. But nothing less will achieve the trick of conjuring the Indian elephant into a south-east Asian tiger.

■ **Credit:** by Kunal Bose

Loans crisis deepens

A shortage of funding is forcing some companies to abandon or postpone projects

Mesco Kalinga, which was ready to set up a steel plant at Daitari in Orissa, has hit a snag. The consortium of financial institutions (FIs), which is facing a shortage of funds, has cut down the long-term loan it agreed to give the company by Rs10bn ($289m) to only Rs5bn.

To keep the steel project afloat, the company is now trying to raise loans from the Asian Infrastructure Development Fund and the Dutch Exim Bank. However, in the meantime, because of the uncertainty over funding, Danieli United of Italy has dissociated itself from the joint venture project.

By now, Indian industry is reconciled to the prospect of FIs not being able either to sanction adequate long-term loans to fund many deserving projects or to disburse loans quickly. The FI officials say in private that the difficulty in extending long-term loans will force many businesses to drop or postpone projects.

According to a report by the DSP Financial Consultants, the encouraging rate of industrial growth recently is attributed largely to efficient use of existing capacity. India had an industrial growth rate of 8 per cent during 1994-95 and the Confederation of Indian Industry (CII) expects it to be 10 per cent in the present year. However, to sustain growth in the future, new capacities will have to be created, particularly in the infrastructure sector, says Mr S. S. Kanoria, a former president of the Federation of Indian Chambers of Commerce and Industry (Ficci) and chairman of Kanoria Chemicals.

After the opening up of the economy and the arrival of increased competition from imports, Indian companies are favouring bigger-sized plants to gain the benefits of economies of scale. But the FIs, which are finding it increasingly difficult to raise resources from the market, are not able to meet the long-term capital needs of industry. Last year, the loan sanctions and disbursements by the Industrial Credit and Investment Corporation of India (Icici) grew by 77 per cent and 55 per cent respectively. But Icici, like any other FI and bank, is facing such a liquidity crunch that the growth in loan sanctions and disbursements during 1995-96 will not be more than 20 per cent.

The liquidity crisis, a fall-out of the federal government's decision to control inflation by tightening money supply, has not only made the funding of new projects difficult, but also meant that companies are not getting higher credit limits from the banks, even though their business has increased. The worst affected are the medium-sized and small companies.

However, Dr C. Rangarajan, governor of the Reserve Bank of India (RBI), says that the banks and term lending institutions are not making less credit available to the commercial sector in the current year.

> Corporate profitability may fall by 15 per cent this year because of the high cost of money

He says that companies' real gripe with bank credit is that it increased by about 30 per cent in 1994-95 – a time when they could easily raise funds on the capital market and by selling global depositary receipts.

The primary market is now depressed. In the first 10 months of the current financial year, the corporate sector could raise only Rs188.1bn by selling shares and other equity-linked instruments – a fall of 48 per cent on the same period last year. In the first six months of 1995-96, the Indian companies could raise $866m from the international market against $2.3bn for the whole of 1994-95.

"The difficulty in selling shares at the right premium has forced many companies to raise loans at high rates of interest," says Mr R. N. Sen, director of IFB Industries, an engineering and financial services group.

The prime lending rate of banks is 16.5 per cent, with the effective rate going up to 20 per cent. But since companies are not getting full accommodation from the banks, they are borrowing from the informal inter-corporate deposit market at interest rates as high as 35 per cent.

The consensus in industry is that corporate profitability will fall by around 15 per cent in the current year because of the high cost of money. A spokesman for Ficci says that many companies operating at such a margin may suffer.

The finance ministry admits the economy is facing a liquidity crunch. But it says the correction will take place in the next few months and interest rates will come down to stimulate growth. Industry, however, does not share this optimism. That the bank deposit mobilisation target of Rs650bn for the current year will fall short by a wide margin is by now a foregone conclusion. A disturbing development is that household savings as a percentage of GDP have continued to fall since 1990-91.

The rationale for the government pursuing a tight money supply policy is to keep inflation in check until at least the general elections are held, according to Mr Kanoria. Moreover, the RBI intervention in the foreign exchange market in the form of selling dollars to give stability to the rupee and the pressure it puts on the commercial banks to buy government paper have resulted in a large volume of money exiting the market.

The Ficci is in agreement with Dr Manmohan Singh, finance minister, that it is time an attempt was made to develop "a sound debt market" that would open up a new avenue for industry borrowing. However, to ease the liquidity crisis in the near term, the RBI should in stages lower the statutory liquidity ratio and cash reserve ratio, according to the Ficci. "Higher foreign direct and portfolio investment will also help in improving the liquidity. But that will happen only when there is exchange rate stability of the rupee," says Mr Kanoria.

■ **Auto finance:** by Shiraz Sidhva

Consumerism fuels demand

The new consumer culture means more Indians are borrowing money to pay for cars

"If you hate traffic jams, blame Kotak Mahindra," reads a large hoarding at one of Delhi's busiest intersections. The advertisement line for one of India's most prominent finance companies is not an idle boast – nearly 70 per cent of the 241,655 cars bought in India last year were financed by companies such as Kotak Mahindra or foreign and Indian banks, contributing in great measure to the traffic jams in most Indian cities.

India's automobile industry has grown by 25 per cent each year since 1993, and the dramatic increase in sales has been supported by a greater number of auto finance companies. "With India's vehicle population expected to grow to 53m from the current figure of 28m, the sky is the limit for auto finance," says Mr Deepak Sheth, an automobile dealer in Bombay.

"The typical Indian consumer, even a decade ago, would not think of buying a car or, for that matter, a refrigerator or a television set, unless he had money to pay for it, cash down," says Mr Umesh Sanyal, a Bombay-based banker. "Today, with the consumer boom and readily available finance, more and more people are prepared to avail themselves of credit from banks or other financial institutions to fulfil their aspirations immediately."

India's car finance business, which grew by 60 per cent to Rs8bn in 1993-94, is expected to grow to Rs30bn in the current financial year. "Income levels have increased dramatically in the last three years, and there are more cars per family now than before," says Mr Nandip Vaidya, vice president of Kotak Mahindra Finance.

Citibank of the US started disbursing the first car loans in India in 1986, to coincide with the launch of the Maruti Suzuki 800cc car. Maruti Udyog, a joint venture between the Indian government and Japan's Suzuki Motor Company revolutionised the Indian passenger car industry with the zippy little model designed to be a cheap family car using the latest Japanese technology.

Last month, Maruti, which has a 74 per cent share in the Indian automobile market, launched the country's first captive auto finance company, providing finance only for Maruti Suzuki cars. Maruti Countrywide Auto Financial Services is a partnership between Maruti Udyog and Countrywide Consumer Financial Serivices, a joint venture between the Housing Development Finance Corporation, (HDFC), India's largest Housing finance institution and GE Capital, a subsidiary of GE Capital Services of the US.

"Almost all major car companies in the world have their own finance companies, and we have been planning to enter the car finance market since 1994," says Mr R. C. Bhargava, managing director of Maruti Udyog. "Our prime aim is to promote sales and to provide innovative finance options at the best available prices to our customers," he says.

Maruti Countrywide plans to develop a long-term dealer support programme to penetrate and expand the Indian auto market. The company combines the formidable marketing expertise of HDFC, which has 28 branches covering 2,300 towns and cities, and the specialised skills of GE Capital's Auto Financial Services, the world's largest non-captive auto financing business.

Maruti is awaiting clearance from the Reserve Bank of India to tie up with Citibank in a separate car finance venture. Citibank currently finances a wide range of Indian-made cars, disbursing 140,000 loans since 1986, through a network of 46 auto dealers over 14 cities across the country, and nine exclusive "Autoline" outlets. This year, the bank has given loans to over 50,000 customers to book the new international cars entering the market.

Citibank's "car cash-in" facility allows customers to secure up to 70 per cent of the value of the car with the bank, provided the vehicle is less than four years old. "We have flexible repayment options, and special relationship pricing, with discounts for our valued clients," says Mr Ashoke Dutt, Citibank's vice president and global consumer bank head, India.

But banks like Citibank and Standard Chartered Bank, which commands the highest market share of car loans disbursed in Delhi, face competition from the unorganised sectors, with small financiers undercutting the large lenders. This unorganised sector accounts for nearly 20 per cent of the car finance market, according to some estimates.

"With the car market expected to grow by over 20 per cent annually for the next five years, we have only scratched the surface, and any competition we have can only serve to expand the market, which we welcome," says Mr Dutt.

> 'Today, more people will avail themselves of credit in order to fulfil their aspirations'

Whereas Citibank has formed links with car makers and gives loans through dealer networks, companies such as Kotak Mahindra Finance go directly to the consumer, selling auto finance through advertising, promotions, telecalling, and direct marketing. "This helps us to evaluate the credit-worthiness of our customers better," says Mr Nandip Vaidya, vice president of Kotak Mahindra Finance.

This approach has given the company a market share of 15 per cent and helped it maintain the number two slot in Delhi, Bombay and Madras, with Standard Chartered Bank, Autoriders, and Sundaram Finance holding the top slots respectively in each city. "People in small towns are increasingly taking loans for financing vehicles, and that is where the future of the auto finance business is," says Mr Vaidya.

Kotak Mahindra's auto finance department, which started in September 1990, accounted for a third of the company's profits of Rs30bn last year. "We started out by disbursing Rs7m a month in 1990, and today we are nearly 60 per cent larger, giving out over Rs500m each month. Kotak Mahindra expects a turnover of Rs4.5bn in the current financial year, nearly doubling its turnover of Rs2.5bn in 1994-95.

A range of new international models in the market from companies such as Mercedes Benz, Ford, Opel, Daewoo and Peugeot has meant more choice, and Indians, who even five years ago, would typically drive the same car for 20, even 30 years, are now constantly upgrading to newer models. "People are changing and upgrading their cars more readily than they did 10 years ago," says Mr Pradip Desai, a second-hand car dealer in Bombay. "Earlier, a car was a lifetime investment, sold only when it was too old to be used any more. Now, those who can afford it think nothing of changing their cars every six months or a year."

While banks and auto finance companies are increasingly targeting the salaried class, it is businessmen who most readily apply for finance. "It is unlikely that a businessman who wants to buy a Mercedes Benz will lock up Rs2.2m in one vehicle," says Mr Nandip Vaidya, vice-president of Kotak Mahindra Finance Limited. "He is bound to take a loan from an auto finance company, who will lend him anything up to 80 per cent of the price of the car."

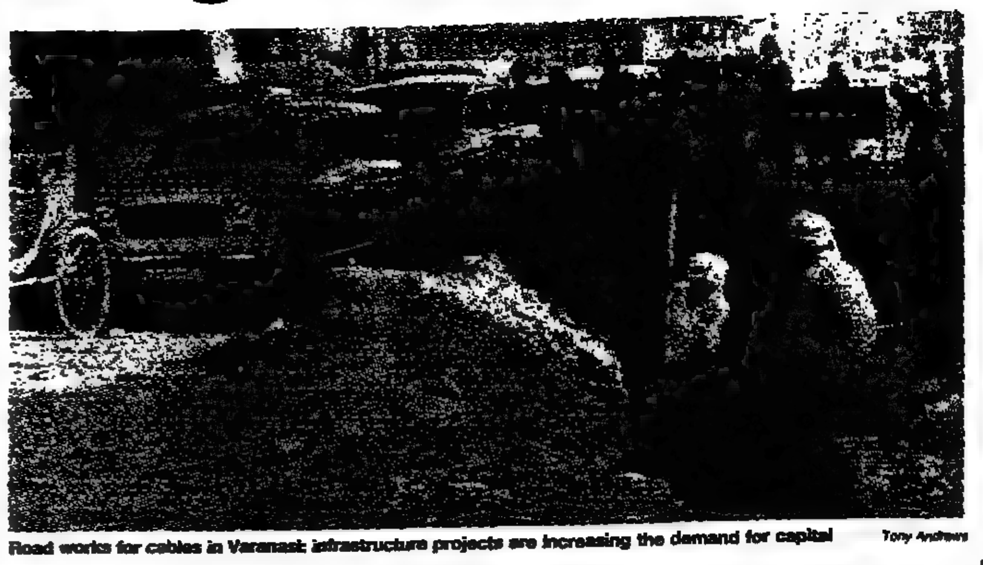
The trend of upgrading cars has allowed the second-hand car market to grow almost as quickly as the new car market, and most auto financiers are willing to finance second-hand cars. Second-hand car financing constituted nearly 20 per cent of the Rs4.5bn business done by Kotak Mahindra's car finance division this year, and more than five per cent of the Rs1.2bn auto financing done by Lloyd's Finance, another Bombay-based company.

Analysts say it is only a matter of time before large automobile manufacturers enter the growing auto finance market to give loans directly to the consumer.

■ **Credit-rating industry:** by a special correspondent

The first signs of maturity

India's huge capital needs are attracting global companies such as Standard and Poor's



Road works for cables in Varanasi: infrastructure projects are increasing the demand for capital Tony Andrews

Like the debt market it supports, the Indian credit-rating industry appears poised for strong growth over the next few years. Although it is still at an early stage of development – the net profits of its biggest operator would barely cover the pay cheques of a half-dozen top analysts at the US industry giants Standard and Poor's or Moody's – few observers dispute its potential.

Most of this potential lies in India's hunger for capital. Mr Manmohan Singh, India's finance minister, has estimated the country will need at least $200bn of investment over the next 10 years in sectors such as roads, telecommunications, energy and railways.

Although much of the money will come from direct investment or loans, a large chunk will be raised through debt issues, providing work for credit-rating agencies.

Already, the gobal leaders in the field are setting up shop in India. Standard and Poor's has just announced a strategic alliance with India's largest agency, the Credit Rating and Information Service of India; Thomson BankWatch is considering entry after talks with local companies about joint ventures; and Duff and Phelps is planning an office in Calcutta.

Of the leaders, only Moody's has not yet announced its plans for India.

However, the path to growth for the Indian credit-rating industry may not be straightforward.

The industry started in India in 1988 with the launch of Crisil, which still holds a 65 per cent market share. But it was not until 1991, when the government made credit ratings compulsory on all public issues of debentures of terms of maturity longer than 18 months, that it took off.

This regulation rapidly expanded the market for credit ratings and triggered the launch of two further domestic operators, Credit Rating Agency of India (Icra) and Credit Analysis and Research (Care).

According to Mr Chetan Ahya, an analyst at Birla Marlin Securities, Care and Icra now have market shares of about 22 per cent and 14 per cent respectively. Further competition is expected with the entry of foreign companies.

The question is whether there is room for all the new operators. The main obstacle to growth is the lack of development of the debt market.

Mr Srinivasan Varadarajan, debt group manager of Icici Securities and Finance Co, says for most corporates, direct loans from banks and financial institutions are cheaper than issues of debentures and commercial paper.

Compounding the problem is the fact that banks face restrictions on the amount of debt paper from corporates and other banks they can invest in. The ceiling is equivalent to 5 per cent of their incremental deposits.

In addition, what non-government paper is issued is scarcely traded on the secondary market. Despite the establishment of three vehicles for trading debt on the National Stock Exchange, the Over-The-Counter Exchange of India and Bombay Stock Exchange, the secondary market remains largely illiquid.

> One of the obstacles to growth is the lack of development of the debt market

This illiquidity has tended to stifle retail issues of debt. Most retail investors prefer to invest in equities that can be traded easily or in fixed-deposits, which are more "customer-friendly" and straightforward than debentures.

A retail market for debt issues is only just now starting to emerge with a few important bonds being issued over the past six months.

The illiquidity of the secondary market has also hindered the development of risk-reward spread on the pricing of debt issues based on credit ratings.

This kind of immaturity, however, is being offset by several forces for change.

To meet India's capital needs, financial institutions and banks will increasingly have to raise resources from domestic and foreign markets through bond issues.

Public sector utilities and institutions seeking to raise funds amid declining support from the government will also expand the market.

Liquidity in the secondary market is likely to improve over the next two years and encourage more debt issues. The Reserve Bank of India (RBI) has just appointed a network of primary dealers for government securities. If successful, this could encourage the development of market-makers to the secondary market.

Regulatory change may also provide opportunities for credit-rating agencies.

Mr Narayan Vaghul, chairman of the Industrial Credit and Investment Corp of India, said recently that the Indian government will have to relax the current $3.5bn annual limit on external commercial borrowings if annual industrial growth is to be maintained at 12 to 15 per cent.

"At present, the overseas market for debt issues is constrained by the overall limit and the case-to-case clearance by the government," he said.

"The sheer compulsion of events will require that these rules be revised in the coming months."

Mr Varadarajan suggests securitisation may still be some way off in India after being debated for the past three years. However, he is hopeful that the ceiling on bank investment in corporate bonds may be relaxed.

"If banks can have an exposure through loans, why can't they have an exposure through debt paper?" he asks.

Mr Ahya says a proposed amended Companies Act also provides for the compulsory rating for the fixed deposit offerings of all companies.

In addition, the RBI has made it obligatory for all finance companies to seek credit ratings. Of 745 registered finance companies, only 121 have yet to file a credit rating with the RBI.

Dual ratings of debt instruments could also fuel growth. Common in other markets, they are now being used by a few public sector companies in India.

While all this is expected to enlarge the industry, credit-rating agencies are coming under increasing pressure to maintain standards.

Mr Shekhar Sathe, Kotak Mahindra's senior vice-president, says standards of Indian agencies are high but their credit ratings still do not have much credibility.

"In the minds of some investors, they are often seen as a formality," he says.

In addition, when an Indian agency rates a debt issue, the issuer can simply reject it and approach a rival agency.

"There is some evidence that some corporates shop around for the best ratings," says a local analyst.

Mr Sathe also says credit-rating agencies will have to distance themselves from their parents to project an image of independence. Currently, all three local agencies are backed by financial institutions.

Icra has moved a step in this direction with the appointment of a board of directors that includes no representatives of its shareholders.

However, the bottom line for the agencies is that despite the immaturity of the debt market and legal hurdles, they are already posting strong growth.

Analysts say the listed Crisil looks set to maintain a momentum of 50 per cent growth in earnings and sales.

"If they are achieving these sort of growth rates despite the current problems, then the potential for future growth is very strong over the next couple of years," the local analyst says.

■ **Venture capital:** by Kunal Bose

Rule relaxation aids sector

The easing of restrictions should make more money available for small and developing businesses

Mastek, a software group, was sustained in its initial years more by the perseverance and the inventive qualities of a group of young computer professionals than by the financial resources it could mobilise. But by 1989, the promoters realised that if Mastek were to "double its turnover every year", then it must seek support from a venture capital fund.

Technology Development and Information Company of India (TDICI), a venture capital company promoted by Icici Securities and Finance Co and Unit Trust of India, had little hesitation in supporting Mastek since it had built a good client base in the country. The TDICI investment in the business, made in the form of a loan that was converted into equity at par, is seen as a big venture capital success story. Mastek made its initial public offering in December 1992 and its share price of Rs10 ($0.28) now commands a premium of more than Rs210. The company is today a leading exporter of software.

TDICI also backed Kale Consultants, a computer consultancy run by Mr Vipul Jain. Armed with first-class engineering and management degrees, Mr Jain worked with Tatas, India's largest business group, for some years before deciding to go independent. He was backed by TDICI and today counts Air India, Air New Zealand, Kenya Airways and seven large government-owned banks among his clients.

Mastek and Kale, of course, are two of the lucky ones. Not all Indian stories end this way.

"The success of Mastek, Kale Consultants and several others should not give the impression that venture capital is a less risky business in India than anywhere else in the world," says Mr S. Mohan Kumar, managing director of Risk Capital and Technology Finance Corporation. "Almost all venture capital companies have supported software units which failed to take off."

Given its relative youth, one might almost expect the venture capital industry in India to involve more risk than elsewhere. It was not until November 1988 that the federal government issued guidelines for the operation of the first venture capital funds. Nevertheless, the industry is now entering a new phase of development. "The gestation period of many of the early cases of venture capital-assisted enterprises is over and they have got their shares registered on stock exchanges. As this happens, the venture capital companies get a chance to divest their holdings," says Mr Mukul Bhatia, director of IFB Venture Capital Finance.

TDICI, Canbank Venture Capital, the venture capital division of the Industrial Development Bank of India and IL&FS Venture Corporation have in a number of cases divested at a handsome premium. Venture financing received a boost when the government allowed free pricing of shares a few years ago. The ease with which the shares of small companies can now be listed on the Over-The-Counter exchange has also aided the process of divestment by venture capital companies.

Although such developments are helping the industry, critical mass is still needed. There are only a dozen or so venture capital companies in India and their investment resources amount to only around Rs6.5bn. According to a spokesman for the Indian Venture Capital Association (IVCA), this means the industry cannot "promote entrepreneurship and actualise scientific ideas and inventions on a scale that India requires".

The spokesman says the 1988 guidelines "were found to be too restrictive" and that, as a result, growth has been relatively slow. "Moreover, it is only recently that the federal government has announced that the income from dividends and long-term capital gains of a venture capital company will be exempt from tax," he says.

> The investment resources of India's venture capitalists amount to only around Rs6.5bn

There are, however, encouraging signs for fledgling businesses and those who support them. The Securities and Exchange Board of India (Sebi), the new regulatory body for venture capital funds, has issued draft regulations that the industry officials think will encourage large-scale investment by institutions, including pension funds and high net-worth individuals. While drafting the regulations, the Sebi has started on the premise that "venture capital has thrived best where it is not restrictively defined".

In contrast to 1988, the Sebi does not want to put restrictions on venture capital funds by defining the background of entrepreneurs, the size of assisted units and the technologies to be used by them.

The industry officials are happy that the Sebi has not gone beyond saying that venture capital investments "are essentially equity investments" in companies that are not ready to access the capital market but which offer good growth prospects. They believe that exposing retail investors to venture capital funds is unfair. Investors in businesses financed by venture capital tend to get little reward in the initial years and are usually not in a position to assess the risks involved.

The draft regulations say that "venture capital funds should raise resources from the domestic or offshore institutional investors, corporate bodies and high net worth individuals".

The Sebi also recommends that funds should be allowed to invest in ailing enterprises. This move has been welcomed by Mr Navin Suchanti, managing director of Pressman Securities. "The Sebi has done well to propose that venture capital funds should be allowed to invest in sick or potentially sick units," he says. "There are about 236,000 sick units in the country and they owe nearly Rs135bn to the banks and financial institutions. Many of these units can be turned around with the infusion of fresh capital and change in the management. After all, globally, the financing of turn-around cases is an accepted form of venture capital investment".

The industry officials, however, want the Sebi to ensure that investment in sick companies will not attract the provisions of takeover regulations.

The IVCA members contend that since the Sebi is trying to usher in a liberal working environment for venture capital funds, the Central Board of Direct Taxes should drop its insistence that a venture capital company must not own more than 40 per cent of the equity capital of an undertaking. Moreover, they say, a venture capital company should be allowed to invest more than 5 per cent of its resources in a single enterprise.

■ **Insurance:** by Mark Nicholson

Tentative steps on the road to change

The three-year old blueprint for a radical overhaul of the sector may, at last, be close to implementation

Insurance remains the last great unreformed bastion of India's financial sector, still dominated by the leviathan state-owned insurance companies which, since life insurance was nationalised in 1956 and general insurance in 1973, have had India's vast market to themselves.

But things may be changing slowly. Almost three years ago, a special committee headed by Mr R. N. Malhotra, former central bank governor, offered in a 150-page report the blueprint for a radical overhaul of the sector and its institutions, while advocating its opening to private and foreign participation. So far, only a first tentative step has been taken, the appointment in January of a three-man interim Insurance Regulatory Authority (IRA), headed by Mr M. P. Modi, former coal secretary.

The IRA, designed to be an autonomous regulatory authority in the manner of the Securities and Exchange Board of India, has yet to name an expected four additional members, set up its Delhi office or plug in the telephones. When it does, it will have before it a gargantuan agenda for change which, it is universally expected, should eventually shake up and shake out India's state companies, while setting terms of entry for the first foreign and private companies.

The aim will be both to revamp services in a sector the Malhotra report found to be cumbersomely managed, inefficient, costly and unresponsive to consumers, and to help more effectively mobilise the enormous investment sums the insurance industry can generate. The government wants not only to swell such sums by allowing the entry of private companies but also to liberate funds already generated by the two giant state companies, the Life Insurance Company (LIC) of India and the General Insurance Company (GIC) of India.

LIC is obliged to invest 75 per cent of its funds in central and state government securities, while GIC is similarly free to invest only 25 per cent of its secretions in "non-approved" investments, and must also commit 45 per cent to the "socially oriented sector". LIC last year, for instance, invested a total Rs108.8bn, of which Rs51bn went into central government securities.

The relaxation of these rules was among the Malhotra report's key recommendations, and was also adumbrated in the finance ministry's Economic Survey, which pointed out last month that liberalising such earmarked funds is a critical pre-condition for the creation of a genuine long-term Indian debt market, vital to the funding of bigger infrastructure projects.

This, however, is just part of the IRA's agenda. More broadly, the Malhotra report also recommended that the government cut its stakes in GIC and LIC from 100 to 50 per cent, restructure both, and separate GIC from its four regionally-based subsidiaries so that it became exclusively a reinsurer. It urged the creation of a tariff advisory committee and the elimination of certain regulatory tariffs. It made a general plea for better training and technology and stated that the private sector should be permitted entry. Foreign insurance companies would be permitted "on a selective basis".

These all remain mere recommendations. The IRA's first task will be to assess which to pursue, and to draft legislation accordingly. Nothing will therefore happen before April's elections, and no substantive progress is likely until after a year to 18 months.

Even then, the pace of reform may depend upon the ability of India's next government to negotiate reforms through likely political opposition. The two state insurance giants are large, unionised employers. LIC has 115,000 employees and almost 500,000 agents and GIC 86,000 employees and 150,000 agents. When the Malhotra report was released, the All-India Insurance Employees Association rejected it as "anti-people, anti-employee and anti-society".

> The Malhotra report stated that the private sector should be permitted entry

Unsurprisingly, therefore, the numerous UK, US and European insurance companies already positioning themselves in India are advertising their expectation that the enhanced competition, efficiency and computerisation their arrival would bring will create, rather than destroy jobs. Mr John Steele, director of Commercial Union for West Asia, recently told a business audience in Delhi that in newly opened markets, such as Taiwan and Korea, "there are more insurance employees, not fewer, and they all enjoy more lucrative benefits and higher average salaries than their counterparts in India".

Lobbying is at present the staple of companies such as Commercial Union, Eagle Star, General Accident, Chubb, AIG, Sun Alliance and others that have already established presences in Bombay and New Delhi, and, in many cases, have already entered preliminary agreements with local private sector partners. And most of the eventual private entrants to the market are expected to be foreign-Indian joint ventures. "Domestic players are looking for technical partners, and I don't see how they can get that expertise without foreign backing," says one UK insurer.

The lobbying is important on several levels. One is simply to secure what is expected to be a limited number of initial licences – perhaps as few as three and unlikely to be more than 15 – for the first approved foreign entrants.

Malhotra argued that foreign entrants must float new joint ventures with Indian partners, and that both participants should hold a combined maximum of 40 per cent of the created insurance companies. Those who desired a bigger initial stake would have to reduce it to 40 per cent by holding a public offering within a certain timespan. Malhotra also suggested that the minimum paid-up capital of new entrants should be Rs1bn and said no single company should be permitted to transact both life and general insurance – a stricture now enforced under EU insurance regulations.

Most companies appear content with this guideline. There is less satisfaction, however, with the 40 per cent equity limit. US companies, in particular, have said they would prefer holdings nearer 75 per cent, which is permissible in India for other financial service industries and nearer global norms for the insurance sector.

So far, the Malhotra report has issued only recommended norms. And the foreign companies already setting up shop hope they can influence the IRA's work in drafting the legislation that will permit them to operate in a market where premium income from general insurance alone is expected to treble from Rs40bn to Rs120bn by the end of the century. Foreign groups are particularly urging that, when the time comes, the IRA offers transparent and even-handed selection criteria for foreign entrants.

But none expects a quick pace to reforms. "India cannot ring-fence its insurance sector and continue in its desire to move to a more open economy," says the Delhi representative of one foreign insurer. "But they're concerned to get this right. It's a long-term development which clearly affects more people than, say, banking or telecoms. It won't happen overnight."

Life Insurance Corporation – investment profile (Rsbn)

	1993-94 During the year	1993-94 Outstanding on March 31	1994-95 During the year	1994-95 Outstanding on March 31
Central government securities	54.49	182.34	50.94	230.89
State government securities and government guaranteed marketable sec	11.07	63.62	9.52	73.10
Government-oriented sector loans	15.26	93.52	17.41	104.65
Special deposit with Indian government	2.00	15.96	2.91	18.39
Corporate sector investment	10.60	74.74	28.29	95.91
Other investment*	.25	34.41	1.50	30.88
Total	93.69	465.81	108.67	561.82

*Other investments include mortgage loans under LIC's various housing schemes, policy loans, house property, foreign investments, etc. Ministry of Finance

■ **Futures:** by a special correspondent

Poised for a comeback after 27 years

The return of futures trading is another sign of the drive to modernise the financial markets

Traders at the Bombay Stock Exchange, where a rethink on futures could heighten rivalry with the NSE — Reuter

In 1969, the Indian prime minister Indira Gandhi sought to reinforce her socialist credentials by banning the then active futures market in India to curb the excesses of capitalist speculation.

Twenty-seven years later, futures trading in its pure form is set to make a return to the country.

The National Stock Exchange (NSE) is planning to introduce index-linked futures trading by the end of the year.

The move marks yet another step by the 14-month-old exchange to modernise the Indian financial market and is expected to heighten its rivalry with the Bombay Stock Exchange (BSE), the oldest and biggest bourse in the country.

A broad proposal on a futures trading system has already been submitted to the Indian market regulator, the Securities and Exchange Board of India (Sebi), and approval is expected within the next two months.

The NSE managing director Dr Ramchandra Patil says futures will be an important step in the development of the Indian financial market.

"It is a product that is really needed," he says, adding that futures will offer both a hedging tool and an outlet for speculation.

Initially, the NSE plans to offer futures trading based on a 50 to 60 scrip index focused on the most liquid stocks on the exchange. Individual stock options may follow later.

Mr Ravi Narain, deputy managing director of the NSE, says the index will aim to reflect the portfolios of fund managers who may use futures as a hedging tool. He says trial runs of the index will begin shortly and fund managers will evaluate its correlation with their trading. Mr Narain adds that the start-up of depository operations, a pre-condition for futures trading, is expected in September.

"We hope to transfer the holdings of a number of large institutions to the depository to build up a critical mass fairly quickly that will then enable futures to come in," he says.

The reintroduction of futures follows BSE's lacklustre return in January of a local hybrid of contango trading called badla or carry forward trading.

Badla, which allows traders to carry over a trading position from one settlement period for the payment of a fee, originally sprung up after the halt to futures in the early 1970s.

In its old form, there were similarities with index-linked futures as many badla traders rarely took or made physical delivery of stock, either routinely rolling over a position or squaring it up.

Badla itself was banned in 1994 in the wake of the 1992 Bombay Securities scam – a move many see as a trigger for the peaking of the 1994 "bull run" in Indian shares and the subsequent 30 per cent decline in 1995.

All through 1995, the BSE lobbied hard for badla's reintroduction, seeing it as a near-saviour of a depressed secondary market and a restorer of liquidity and speculation.

However, it has failed to attract much interest even from diehard supporters of the system.

The BSE has claimed that the system has been hamstrung by the complexity of regulations laid down for it by Sebi.

However, Mr Patil says the attraction of a contango-type system is limited, arguing that a true futures trading system has more appeal to investors. He points to markets like London where contango transactions have dropped to a tiny fraction of total volume since the development of derivatives trading.

Mr Narain argues that badla is simply a credit-based system, allowing positions to be carried forward on a leveraged basis. "It does not allow the hedging of positions," he says.

Local broker and commentator Mr Imran Contractor adds that some of the restrictions imposed on badla to facilitate regulatory control impeded many genuine trading needs. As a result, he says, the index-linked futures are likely to be popular with local traders.

"Without such a hedging tool, you are basically trading naked," he says. "Many fund managers lost a lot of the value of their portfolios over the last year because they could not hedge their positions when the market fell."

The BSE so far has been reluctant to adopt a futures market but the failure of the reintroduction of badla may force it to rethink.

The country's leading ratings agency, Credit Rating and Information Service Ltd (Crisil), has already introduced an index of 500 scrips on BSE to use as a base for index-linked futures trading.

The NSE has rejected the Crisil 500 as unsuitable for futures trading, raising speculation about where futures based on the index could be traded.

Mr. R. Ravimohan, Crisil's managing director, says independence of the Crisil 500 from an exchange would appeal to investors. "Most of the futures trading around the world is based on an independent index such as the Nikkei or the FT-SE," he says. "In New York, all the futures trading is based around the Standard and Poor's 500 not the DJIA."

However, the prospect of futures trading in India has raised some trepidation about the ability of the country's still-developing regulatory framework to cope with the systemic risks posed by derivatives trading.

One foreign fund manager said at a recent seminar: "I am an investor in this country and the prospect of futures trading here would worry me deeply. If Barings can happen in Singapore and Daiwa in the US what could happen here?" he asked.

Mr Patil is confident that the regulatory framework will be strong enough to cope. "With screen-based trading, monitoring transactions will not be a problem," he says.

Mr Narain says that the NSE will now provide counter-party guarantees for trades in the cash market through its subsidiary, National Securities Clearing Corporation. This will be extended to trades in futures after the formation of a dedicated settlement fund from NSE members.

Mr Narain also says futures trading will be restricted to NSE members who have already become familiar with the exchange requirements on margin payments and maintenance of minimum net worth.

He adds that the minimum net worth of NSE members trading in futures is likely to be "substantially in excess" of the Rs10m required for members trading in the cash market. He also says that separate monitoring cells will be set up to oversee futures trading.

Supervision may help to control speculation's worst excesses, but it is unlikely to eliminate it. Mr Contractor says that, given the ingenuity of Indian traders, it will always find an outlet in the country. He points to the heavy trade in badla in regional stock exchanges in cities such as Pune and Calcutta, despite the ban on it.

■ **GDRs:** by Antonia Sharpe

New issues end dry spell

After a lacklustre 1995, the market for Indian global depositary receipts is being revived

After the boom and bust scenario of the past two years, bankers hope that the market in Indian global depositary receipts (GDRs) will grow at a more moderate but sustainable pace this year.

A GDR is a receipt, which is issued in registered form by a depository bank and represents ownership of shares held in custody in the equity issuer's home market. GDRs and the underlying shares can usually be exchanged but trade independently.

Issuance of GDRs by companies from emerging markets such as India has become much more common in recent years, driven by investors' desire to buy securities that trade internationally and the companies' desire to tap the international capital markets where the cost of funds is lower than at home.

The slow settlement process in India – it can take up to six months to receive shares bought in the local stock market – have made GDRs an attractive way for international investors to gain exposure to the country.

But events in 1994, when there was an over-supply of GDRs and allegations emerged that some issuers were not using the proceeds to fund expansion, but to shore up domestic share prices, caused the Indian GDR market to dry up for most of last year.

According to Euromoney Bondware, there were 39 GDR offerings by Indian companies in 1994, raising just over $8bn, which made India the most active issuer of GDRs that year. But the flood of paper, increasingly from low-quality issuers, and the negative impact that it had on the value of GDRs, left investors nursing heavy losses.

In early 1994, Indian companies could bring GDRs to market at a healthy premium to their local share prices, but by the October, issuers found that they had to price their GDRs at a discount of as much as 35 per cent discount.

The Mexican peso crisis at the end of 1994, and its negative impact on emerging markets in early 1995, kept Indian GDR issuance to a minimum last year. In addition, the weakness of local share prices meant that such fund-raising would have been expensive for Indian companies. As a result, there were just three public issues and one private placement totalling about $300m.

This year, however, the conditions for the GDR market have improved markedly.

Mr Gordon Branston, head of international merchant banking at ANZ in London, says India is looking cheap when compared with other emerging markets in Asia, due to strong economic fundamentals and the devaluation of the rupee. A 20 per cent upswing in the Bombay stock market in the early months of this year has brought the price/earnings ratio up to 14 from 10 but it is still low compared with other emerging markets.

The need among Indian companies to raise cash to fund the next phase of expansion is likely to create a healthy pipeline of GDR issuance this year, says Mr Nishit Kotecha, assistant director at BZW.

Raising equity capital through GDRs is much cheaper than trying to borrow at home, where interest rates run at 20 to 25 per cent because of the tight liquidity.

At the same time, moves by the Indian authorities to restrict 25 per cent of GDR proceeds to working capital and refinancing purposes and allocate the rest to investing in real projects and expansion, should prevent any artificiality returning to the market.

But bankers believe that, in contrast to 1994, only the top-quality issuers will be able to access the market. "That's the message we have got back from investors," says one banker.

In February there was a rash of GDR offerings as companies sought to act before the Indian general elections. BSES, India's largest private-sector power company, raised $125m through a GDR offering, breaking an eight-month dry spell for the market.

BSES was quickly followed by Larsen and Toubro, India's biggest private-sector construction and engineering conglomerate, and Sail, India's steel authority.

Mr Roddy Sale, head of capital markets at Jardine Fleming in India, the bank that arranged the BSES offering, said it was the first company to price an issue at a premium (3.87 per cent) to the local market since October 1994.

The premium level in the London-based GDR market is closely watched by investors.

> Slow settlement in India – sometimes up to six months – makes GDRs attractive

If they feel that the premium is too high, those who can buy local shares will switch out of GDRs and into the local market. The reverse happens when GDRs are trading at a significant discount.

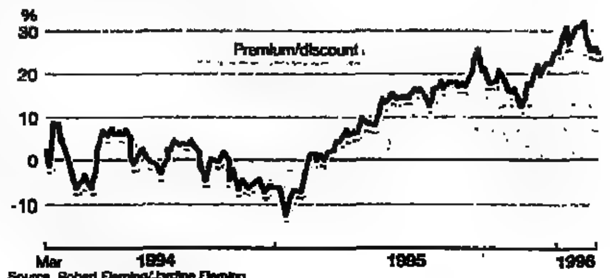
Renewed interest in India at the start of this year, and the lack of liquidity in the GDR market, caused the average premium level in the secondary market for GDRs to rise about 20 per cent by mid-February when the Bombay Sensex index hit a peak of 3,600. By the end of February, the premium level came back to about 10 per cent, but premiums have widened again to around 20 per cent in April. According to one banker, this is because international investors have continued buying, and those who own GDRs are not willing to sell them.

However, premiums are still too high for some investors. Mr Jeff Chowdhry, India fund manager at Foreign and Colonial Emerging Markets, does not hold any GDRs in his $160m dedicated India fund at the moment because he thinks they are expensive and that the premium will come down over the next few months.

"The pipeline of GDR issues is another concern as this will put pressure on premiums which in any case are too high and unsustainable," he says. He believes that the premium level should be closer to 5 per cent.

Switching in and out of the local stock market depending on the GDR premium levels will continue as long as the GDR market exists. And since India has yet to bring its settlement and custody into line with international standards, the future for GDRs is assured for some years yet.

Flemings Indian GDR index versus underlying stock index



Source. Robert Fleming/Jardine Fleming

Producer price data sparks US volatility

By Samer Iskandar in London and Lisa Bransten in New York

Yesterday saw another erratic trading session, with European bonds weakening in the wake of falling Treasuries to close lower, while the US recouped some of its losses later in the day. The dollar, whose strength against the D-Mark and the yen had supported European bond markets this week, failed to capitalise on its recent gains which further hampered bunds and high yielding peripheral European markets.

■ Troublesome figures on producer price inflation sparked a wave of early morning volatility on the US Treasury market, but by late morning prices had settled back near their range at Wednesday's close.

The long bond dipped about ¾ of a point almost immediately after the Labour department released figures showing that the producer price index had jumped by 0.5 per cent in March.

Shortly after the initial decline, however, prices rallied, with the long bond climbing nearly half-a-point in part because the core PPI – which excludes the volatile food and energy components – posted a 0.1 per cent increase, modestly less than the 0.2 per cent gain many Wall Street analysts expected.

Near midday, the benchmark 30-year Treasury was up ¼ at 88¼ to yield 6.931 per cent, while at the short end of the maturity spectrum, the two-year note rose 1/32 at 100 1/32, yielding 6.092 per cent. The June 30-year bond future slipped 13/32 at 108 3/32.

Much of the concern about accelerating inflation pressures was priced into the market late on Wednesday when jittery traders sent the long bond down nearly 1¼ point.

Mr Kevin Sluder, a senior fixed-income trader at First Chicago Securities, said he saw some "bottom fishing activity" early yesterday after the initial dip in bond prices pushed the long bond yield closer to 7 per cent.

Most Wall Street economists viewed the figures as painting a generally tame view of US inflation.

"Earlier stages of production continued to show benign inflationary trends," said Mr Joseph Liro of CBC Wood Gundy. But he cautioned that "the overall PPI is starting to accelerate and we expect some of the sharp rise in commodity prices to make their way into final goods prices over the next two quarters".

■ Bunds opened lower following the sharp fall in US Treasuries overnight, and remained weak throughout the day. Liffe's June bund future settled at 95.76, down 0.72. In the cash market, the 6 per cent bund

GOVERNMENT BONDS

due 2006 fell 0.55 to 96.35. The yield spread of US Treasuries over bunds tightened by 2 basis points to 25 in late European trading, after having widened to as much as 32 basis points earlier in the day.

However, despite the mediocre performance of German bonds, analysts showed renewed optimism over the possibility of a rate cut by the Bundesbank. But Mr Julian Jessop, an international economist at HSBC Markets, believes a rate cut is not likely to take place before May, particularly if the dollar strengthens further against the German currency.

■ French bonds once more outperformed bunds. On Matif, the June notional futures contract fell 0.14 to close at 121.96. In the cash market, the 7.25 per cent OAT due 2006 fell by 0.30 point to 104.73. The 10-year yield spread over bunds narrowed by 4 basis points to 8. Mr Jessop believes that supply conditions were behind the recent outperformance of OATs over bunds, the relative weight of international bond issuance having shifted from French francs to D-Marks. He does not rule out further tightening of the 10-year spread, possibly even to negative levels, but expects such a situation to be purely technical and short-lived.

■ UK gilts fell in line with other European markets. Liffe's June long gilt future settled at 104¾, down 23/32, but fell further in after-hours APT trading, approaching the 104¼ level in the early evening. In the cash market, the 10-year benchmark bond fell by 19/32 to 95 7/32. The yield spread over 10-year bunds stood at 180 basis points, a level which analysts believe is more likely to tighten than widen.

Mr Andrew Roberts, a bond strategist at UBS Limited, said this spread now "prices in the political risk as well as sterling's weakness" earlier this week in the foreign exchange market.

■ Europe's high yielding markets were more volatile than most other bonds. Liffe's June future on Italian BTPs closed down 0.78 at 109.55, and Meff's June 10-year bono future lost 0.74 to close at 96.08.

In the past month Italian, Spanish and Swedish 10-year spreads over bunds have tightened by some 50 basis points, supported mostly by optimistic expectations on European monetary union. However, HSBC's Mr Jessop warns that market participants might have been too optimistic on Emu. Mr Roberts at UBS is of the same opinion. He also points out that Italy is likely to end up with a weak government after the forthcoming elections, which is likely to put "pressure on the market".

Lebanon postpones issue following Israeli attack

By Conner Middelmann

A $100m issue of bonds for the Lebanese Republic was postponed yesterday following an Israeli helicopter attack on Shi'ite Moslem suburbs of Beirut about an hour before the deal was due to be launched.

The offering, which was to be fungible with $300m of bonds due 2000 launched last July, had already been largely preplaced when the Lebanese government decided to delay the issue, according to lead manager Paribas Capital Markets. However, most investors remained committed to the deal, and the outstanding bonds were barely affected by this unexpected turn of events, an official said.

Dealers hope that the issue will be launched as soon as possible, as a long delay might force a re-pricing. The original offering was placed last year at a spread of 320 basis points over Treasuries; last night, that spread stood at around 290 basis points.

Meanwhile, the eurobond market saw a steady stream of issues in a wide range of currencies. The D-Mark sector saw two increases: DM300m of six-year bonds for Deutsche Ausgleichbank fungible with DM350m of outstanding bonds, and DM350m of 10-year paper for the Republic of Argentina, the second increase of the recently issued bond which now totals DM1bn. Argentina wished to take advantage of the steady demand for the issue, especially from German retail investors, lead manager Deutsche Morgan Grenfell said.

INTERNATIONAL BONDS

Elsewhere, Baden-Württemberg L-Finance issued FFr2bn of six-year bonds via BNP and J. P. Morgan, which saw good demand from French mutual funds and some retail accounts, the lead managers said.

Meanwhile, Portugal achieved its longest-dated issue in the euroyen sector, Y35bn of 12-year bonds carrying a 3.5 per cent coupon, via Nomura.

● Lehman Brothers and Mediocredito Centrale, the Italian Treasury-owned development bank, yesterday signed a collaboration agreement to work together in the newly-established market for Italian municipal bonds, Buoni Ordinari Communali (BOC).

The move follows the recent enactment of new regulations by the Italian government creating a legal framework for a municipal bond market. In its desire to reduce central government borrowing towards the Maastricht criteria for European Monetary Union, the Italian government is keen to shift some of its large funding burden to the municipal sector.

No BOC securities have been launched so far, but they are expected in due course to be issued in Italian lire or foreign currencies and to be sold to domestic and international institutional investors.

The City of Naples is looking to tap the market in the near future with an expected $200m Yankee offering that is likely to be swapped back into lire. The City of Rome is said to be planning a L100bn domestic issue with an intermediate maturity, to be followed by an international offering later in the year. Naples has been awarded an A1 long-term rating by Moody's Investors Service and Rome is rated AA- by IBCA.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Far East Levingston(a)§	120	1.50	100.00	May 2001	2.50	-	Jardine Fleming
Banco Credibanco	50	10.50#	99.899R	Apr 1999	1.00R	+430(7%-99)	Barclays de Zoete Wedd
D-MARKS							
Deutsche Ausgleichsbank(b)	300	6.125	99.16R	Dec 2003	0.30R	+9(6%-03)	HSBC Trinkaus
Republic of Argentina(c)	350	11.25	100.00R	Apr 2006	1.375R	+475(6Feb06)	Deutsche Morgan Grenfell
YEN							
Republic of Portugal+	35bn	3.50	100.00	Apr 2008	0.35	-	Nomura International
SWISS FRANCS							
Shiseido Co(d)+ϕ	300	0.875	100.00	May 2000	1.625	-	Credit Suisse
Rabobank Nederland+	100	3.50	102.50	May 2000	1.375	-	SBC Warburg
GUILDERS							
Dresdner Finance(e)	300	5.25	98.23R	Sep 2001	0.25R	+11(6¾%-01)	Dresdner-KB/ING Barings
ABN Amro Bank(e,f)	200	3.00	91.48R	Oct 2000	0.25R	flat(9%-00)	ABN Amro Hoare Govett
FRENCH FRANCS							
Baden-Wuerttemberg L-Finance	2bn	6.00	99.72R	May 2002	0.275R	+10(f)	Banque Nationale de Paris
AUSTRALIAN DOLLARS							
Bayerische Vereinsbank	100	8.75	101.153	May 2001	2.00	-	Toronto Dominion Bank
Bacob Overseas	100	9.00	101.60	May 2000	1.75	-	Kredietbank Intl Group

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. §Convertible. ϕWith equity warrants. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Conversion price: S$8.10. FX: 1.4094 S$/US$. b) Fungible with DM350m. Plus 120 days accrued. c) Fungible with DM750m. Plus 15 days accrued. d) Fixing: 18/4/96. e) Selling group re-offer. f) Over interpolated yield. g) Short 1st coupon

Polish Brady bonds slip back on profit-taking

By Richard Lapper

Polish Brady bond prices yesterday drifted lower in a generally quieter day after surging on Wednesday following the award of an investment grade by Standard & Poor's, the international credit rating agency.

Prices rose by nearly 4 per cent on Wednesday, according to a price index compiled by West Merchant Bank. S&P's rating upgrade followed a similar move earlier this year by Moody's, another rating agency. It allows a much broader class of investor – including pension funds and insurance companies – to hold Polish paper.

Polish PDIs – one of the most actively traded Bradys – fell by ⅝ to 76⅝ by late afternoon in London. Polish par bonds were quoted at 49¼, compared with 49⅝ on Wednesday evening, while Polish discounts slipped ⅜ to 92⅞. The WMB price index for Poland closed down 1.1 per cent in London.

Stripped spreads – the spread over the US Treasury after the collateralised portion of the bond is stripped out – ranged from 185 basis points for PDI bonds to 265 basis points for discounts.

Dealers blamed profit-taking for the fall, with a number of smaller European investors, including specialist emerging market funds, unloading paper. In addition, heavy sales of out of the money calls on all Polish Bradys by options traders had added to the bearish tone.

"Investors are selling to lock in some of these gains," reported one trader, adding that a number of longer-term investors had begun to sell "back books" of Polish Bradys. Polish Bradys have risen by 19 per cent this year, according to West Merchant Bank.

Strong Polish performance has been the dominant feature of a generally positive week for the Brady market, which has proved resilient to the recent weakness of the US Treasury market.

For the whole market WMB's index fell by 2.4 per cent on Monday, but has clawed back much of this ground, rising by 1.1 per cent on Tuesday, 0.6 per cent on Wednesday and 0.2 per cent by late afternoon yesterday in London.

Average stripped spreads for the market as a whole yesterday stood at 880 basis points over Treasuries, compared with 929 basis points on Monday and 1030 basis points in mid-March.

Mr Peter West, economic adviser at WMB, says that the high yields offered by Brady paper have proved attractive against a background of improving fundamentals in a number of countries. "You could see it as a final readjustment to the Mexican crisis."

● Standard & Poor's yesterday raised its credit rating on the National Bank of Slovakia's long-term foreign currency-denominated debt to BBB-, its lowest investment grade rating.

The upgrade brings S&P's rating on Slovakia into line with that of Moody's, and follows similar action on Wednesday over Poland. S&P said the upgrade and the new ratings reflected Slovakia's "lasting progress in maintaining prudent economic management, which has strengthened economic fundamentals, despite at times disruptive political developments".

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.3760	-0.140	9.02	8.88	8.68
Austria		6.125	02/06	96.6500	-0.260	6.57	6.42	6.49
Belgium		7.000	05/06	101.7100	-0.350	6.76	6.66	6.70
Canada *		8.750	12/05	106.0600	-0.590	7.84	7.64	7.46
Denmark		8.000	03/06	103.3600	-0.060	7.60	7.45	7.53
France	BTAN	5.750	03/01	100.1250	-0.250	5.71	5.66	5.58
	OAT	7.250	04/06	104.7300	-0.300	6.59	6.61	6.56
Germany Bund		6.000	02/06	96.3500	-0.550	6.51	6.15	6.29
Ireland		8.000	08/06	99.7000	-0.500	8.03	7.97	7.80
Italy		9.500	02/06	95.1600	-0.200	10.29†	10.46	10.24
Japan	No 129	6.400	03/00	118.2290	-0.150	1.85	1.73	2.12
	No 182	3.000	09/05	98.3380	-0.210	3.23	3.05	3.27
Netherlands		6.000	01/06	96.4600	-0.540	6.49	6.33	6.29
Portugal		11.875	02/05	114.6500	-0.550	9.36	9.26	9.55
Spain		10.150	01/06	103.2800	-0.810	9.59	9.54	9.61
Sweden		6.000	02/05	85.1590	+0.080	8.45	8.60	8.86
UK Gilts		8.000	12/00	101-20	-12/32	7.57	7.41	7.09
		7.500	12/06	95-14	-11/32	8.15	8.05	7.92
		9.000	10/08	106-16	-23/32	8.28	8.16	7.96
US Treasury *		5.625	02/06	92-21	-13/32	6.65	6.26	6.02
		6.000	02/26	88-13	-15/32	6.92	6.62	6.41
ECU (French Govt)		[illegible]	04/05	102.7600	-0.170	7.06	6.97	7.07

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.03	Two year	6.14
Prime rate	8¼	Two month	4.93	Three year	6.30
Broker loan rate	7	Three month	5.08	Five year	6.50
Fed funds	5¼	Six month	5.32	10-year	6.65
Fed funds at intervention	.	One year	5.66	30-year	6.92

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	121.98	121.96	-0.14	122.10	121.74	143,357	147,105
Sep	120.62	120.64	-0.14	120.74	120.56	465	4,944
Dec	119.36	119.34	-0.16	119.38	119.36	2	664

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
119	-	-	-	0.03	0.22	-
120	-	2.33	2.03	0.06	0.36	1.33
121	1.16	-	1.48	0.17	0.60	-
122	0.46	0.94	-	0.41	0.97	-
123	0.11	0.51	-	-	1.54	-

Est. vol. total, Calls 13,119 Puts 19,569. Previous day's open int., Calls 181,364 Puts 171,883.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.16	95.76	-0.72	96.21	95.62	227596	211891
Sep	95.25	94.88	-0.73	95.25	95.13	242	6398

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9550	0.60	0.98	0.74	1.08	0.34	0.72	1.35	1.69
9600	0.34	0.72	0.54	0.88	0.58	0.96	1.65	1.97
9650	0.18	0.50	0.39	0.68	0.90	1.24	2.00	2.29

Est. vol. total, Calls 14894 Puts 18124. Previous day's open int., Calls 242485 Puts 198827

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	110.25	109.55	-0.78	110.34	109.62	48217	49194
Sep		109.10	-0.78			0	258

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
10950	1.52	2.27	1.37	2.67
11000	1.26	2.05	1.61	2.95
11050	1.03	1.84	1.88	3.24

Est. vol. total, Calls 1252 Puts 1456. Previous day's open int., Calls 60751 Puts 74471

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	96.45	96.06	-0.75	96.59	95.96	70,490	41,733

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	105-07	104-24	-0-23	105-11	104-18	53499	120221
Sep		103-21	-0-23			0	165

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
104	1-07	1-37	1-17	1-50	0-23	0-53	1-39	2-08
105	0-33	1-02	0-55	1-23	0-49	1-18	2-14	2-45
106	0-12	0-39	0-36	1-01	1-28	1-55	2-58	3-23

Est. vol. total, Calls 4827 Puts 574. Previous day's open int., Calls 40821 Puts 38304

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	89.84	89.86	-0.16	89.92	89.66	2,814	8,168
Sep	-	89.34	-0.16	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	108-20	108-19	-0-01	108-23	107-24	340,611	354,606
Sep	107-21	108-02	-0-02	108-04	107-10	1,167	22,506
Dec	107-02	107-14	-0-05	107-16	107-01	77	4,670

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	118.68			118.71	118.51	2306	0
Sep	117.56			117.59	117.56	110	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Apr 11	Day's change %	Wed Apr 10	Accrued interest	xd adj. ytd		Low coupon yield Apr 11	Apr 10	Yr. ago	Medium coupon yield Apr 11	Apr 10	Yr. ago	High coupon yield Apr 11	Apr 10	Yr. ago
1 Up to 5 years (24)	121.38	-0.14	121.53	2.38	2.43	5 yrs	7.66	7.56	8.21	7.68	7.59	8.29	7.78	7.69	8.42
2 5-15 years (19)	144.66	-0.51	145.41	2.88	2.56	15 yrs	8.31	8.24	8.29	8.33	8.25	8.35	8.42	8.35	8.56
3 Over 15 years (9)	158.25	-0.69	159.37	2.59	3.48	20 yrs	8.37	8.31	8.28	8.38	8.30	8.35	8.45	[illegible]	8.51
4 Irredeemables (6)	182.08	-0.52	183.03	3.86	1.47	Irred.†	8.40	8.35	8.34						
5 All stocks (58)	140.35	-0.41	140.93	2.55	2.67										

Index-linked							Inflation 5% Apr 11	Apr 10	Yr. ago	Inflation 10% Apr 11	Apr 10	Yr. ago
6 Up to 5 years (1)	197.71	+0.01	197.69	4.08	0.00	Up to 5 yrs	3.02	3.01	3.19	1.73	1.71	1.64
7 Over 5 years (11)	185.12	-0.25	185.71	1.00	1.38	Over 5 yrs	3.77	3.74	3.79	3.57	3.55	3.58
8 All stocks (12)	185.27	-0.24	185.85	1.07	1.30							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 11	Apr 10	Apr 9	Apr 4	Apr 3	Yr ago	High*	Low*
Govt. Secs. (UK)	92.04	92.48	92.27	92.52	92.40	92.31	96.34	91.97
Fixed Interest	111.71	111.87	111.81	111.89	111.54	110.91	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Apr 10	Apr 9	Apr 4	Apr 3	Apr 2
Gilt Edged bargains	94.2	78.9	89.1	94.3	90.8
5-day average	[illegible]	86.5	92.8	98.1	101.9

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)							
Treas 15¼pc 1996‡‡		15.16	6.95	100⅝	-1/16	108⅞	100⅝
Exch 13¼pc 1996‡‡		13.16	6.49	100⅞	-1/16	106⅞	100⅞
Treas 2pc 1996		0.92	5.83	217½	—	217½	207
Conversion 10pc 1996		9.77	6.08	102⅜		104⅞	102⅜
Treas 13¼pc 1997‡‡		12.57	6.18	105⅜	-1/16	109⅞	105⅜
Exch 10½pc 1997		10.14	6.18	103⅞	—	106⅝	103⅞
Treas Cnv 7pc 1997‡‡		6.95	6.47	100⅞	—	101⅞	99⅞
[illegible]							
Treas 12¼pc 2003-5		10.04	8.12	124⅜	-⅞	131⅜	122⅞
Treas 8½pc 2005‡‡		8.30	8.14	102⅜	-⅝	108⅞	99⅞
Treas 7¾pc 2006‡‡		7.88	8.18	95⅞	-⅝	101⅞	94⅞
Treas 7¾pc 2006‡‡		8.01	8.22	96⅞	-⅝	103¼	94⅞
Treas 8pc 2002-6‡‡		8.10	8.25	98⅞	-⅝	104⅞	95⅞
Treas 11¾pc 2003-7		9.88	8.07	118⅞	-⅞	125⅞	116½
Treas 8½pc 2007‡‡		8.35	8.28	101⅝	-⅝	108⅞	99⅞
[illegible]							
Index-Linked	(b)						
4⅝pc '98‡‡	(135.6)	1.75	3.03	111⅞	—	113⅞	108⅞
2½pc '01	(78.3)	3.16	3.65	177⅞	-⅞	180⅞	169⅞
2½pc '03	(78.8)	3.31	3.69	173⅞	-⅞	176⅞	165⅞
4⅝pc '04‡‡	(135.6)	3.34	3.68	113⅞	-⅞	116⅞	110⅞
2pc '06	(69.5)	3.43	3.70	181⅞	-⅞	185⅞	172⅞
2½pc '09	(78.8)	3.51	3.73	163⅞	-⅞	167⅞	158⅞
2½pc '11	(74.6)	3.54	3.74	169⅞	-⅞	173⅞	161⅞
[illegible]							

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for July 1995: 149.1 and for February 1996: 150.9.

Other Fixed Interest

[illegible]

‡ Tap stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Protective rate Index Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 11

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	96⅞	97	-⅛	7.10
ABN Amro Bank 7¼ 05	1000	100	100¼	-⅛	7.23
African Dev Bk 7⅜ 23	500	95⅞	96⅞	-⅛	7.80
Alberta Province 7⅝ 98	1000	102½	102⅞	-⅛	6.51
Asian Dev Bank 6¼ 05	750	94⅞	94⅞	-⅛	7.14
[illegible]					
Sweden 8 97	2500	108⅛	108⅛	+⅛	5.67
United Kingdom 7¼ 97	5500	105	105	+⅛	3.72
Volkswagen Intl Fin 7 03	1000	102½	102¾	-⅛	6.55
World Bank 0 15	2000	29⅞	30⅛		6.39
World Bank 5⅞ 03	3000	96⅞	96⅞	-⅛	6.06
[illegible]					
Abbey Natl Treasury 8 03 £	1000	97⅞	97⅞	-⅛	8.44
Alliance Leics 11⅞ 97 £	100	104⅞	104⅞		6.75
British Land 8⅞ 23 £	150	87⅞	87⅞	-⅛	10.54
Denmark 6⅞ 98 £	800	98⅞	99	-⅛	7.28
EIB 8 03 £	1000	98⅞	98⅞	-⅛	8.25
Glaxo Wellcome 8¾ 05 £	500	98⅞	98⅞	-⅛	8.80
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar steady but market optimism still intact

By Philip Gawith

The dollar yesterday failed to build on its recent gains, but did manage to close in London above the key DM1.50 level.

While there was no significant upside progress to report, the dollar did appear to be well protected on the downside and this left market optimism intact about the prospect of a further rally.

Sentiment was also buoyed by comments from senior Bundesbank officials which kept alive hopes of lower German interest rates.

The dollar finished in London at DM1.5013, from DM1.4997. Against the yen it finished at Y108.49, from Y108.495.

In Europe the D-Mark remained on the backfoot, with the lira finishing at a 14 month high of L1,045, from L1,048. The Franc finished unchanged at FFr3.399 after the Bank of France cut its intervention rate to 3.7 per cent, from 3.8 per cent.

The Australian dollar, meanwhile, rallied to its highest level since December 1991, closing at 78.93 US cents, from 78.88 US cents.

The pound overcame the selling seen in New York on Thursday to finish little changed in London at DM2.2725, from DM2.2743. Against the dollar it finished at $1.5137, from $1.5165.

■ There was some disappointment that the dollar had not made further gains, but this was combined with a measure of confidence that it would perform well enough today to finish the week with the upward trend firmly established.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said the most significant aspect of the dollar's recent climb had been its ability to break free from weak US asset markets.

"Partly because real interest rates are now at more respectable levels, economic strength now yields dollar strength and the dollar has decoupled from the bond market. This heralds the long awaited recovery in the US dollar," he said.

But Mr Persaud warned that the recovery would be neither swift nor immediate. "Recent price action has already lured the market into a long dollar position and the upcoming presidential election is seen as an obstacle to the Fed tightening monetary policy when required." He believes a dollar rally beyond DM1.55 and Y110 will probably have to wait until after the elections.

Mr Philippe Jordan, senior vice president at Daiwa Securities in New York, also counselled caution, based on pessimism about US asset prices. "I don't think the dollar can keep on rising when there are capital flows looking for safe havens."

Mr John Wareham, head of global forex marketing at Merrill Lynch in London, said the dollar had been capped by selling from institutions, exporters and short-term traders. "There is a fight between technicians and fundamentalists who believe it should go higher, and the weight of dollar selling from profit-takers and European companies."

He said there had been other episodes in recent months where European exporters had shown that they had dollars to sell at DM1.50.

■ While the dollar is the focus of discussion, the D-Mark's losses are steadily mounting. Figures from 4Cast, the London based financial analysis service, show that since the start of the year, the D-Mark has lost around six per cent against the lira, five per cent against the US and Canadian dollars and four per cent against the Swedish krona.

The only currencies of note which have lost ground against the D-Mark are the Finnish markka, and – marginally – the Swiss franc and the Japanese yen.

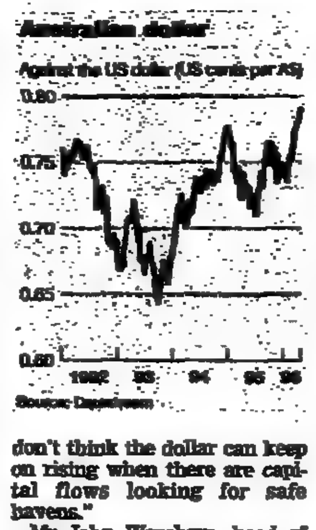
Mr Steve Barrow, economist at Chase in London, said the D-Mark's weakness was "increasingly reflected in the core currencies – not just in the periphery currencies." Even the guilder, habitually the most stable of currencies, had started to make ground against the D-Mark.

Mr Barrow said further D-Mark weakness could be expected through the summer, but predicted that the Autumn could see renewed budgetary pressures in Europe, which would result in "a firmer D-Mark as EMU concerns are raised again."

These concerns are likely to be very much to the fore this weekend when EU finance ministers meet in Verona. Exchange rate arrangements will be an important area of discussion.

Australian dollar

Against the US dollar (US cents per A$)



Source: Datastream

■ Pound in New York

Apr 11	Latest	Prev. close
Spot	1.5135	1.5130
1 mth	1.5129	1.5124
3 mth	1.5103	1.5111
1 yr	1.5088	1.5088

■ OTHER CURRENCIES

Apr 11	£	$
Czech Rp	41.4284 - 41.4888	27.3760 - 27.3880
Hungary	219.564 - 219.727	145.080 - 145.130
Iran	4542.00 - 4540.20	3000.00 - 3000.00
Kuwait	0.4543 - 0.4548	0.3002 - 0.3004
Poland	3.9606 - 3.9659	2.6165 - 2.6195
Russia	7408.31 - 7426.77	4909.00 - 4912.00
UAE	5.5524 - 5.5618	3.6726 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Apr 11		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.9810	-0.0098	747 - 872	16.0288	15.9259	15.951	2.3	15.8895	2.3	-	-	105.5
Belgium	(BFr)	46.6734	-0.0484	566 - 902	46.8160	46.5130	46.5684	2.7	46.3584	2.7	45.4384	2.6	107.7
Denmark	(DKr)	8.7719	-0.0053	679 - 759	8.7976	8.7383	8.7603	1.6	8.7385	1.7	8.6289	1.6	108.4
Finland	(FM)	7.1046	+0.001	975 - 117	7.1200	7.0640	[illegible]	0.7	[illegible]	0.7	-	-	82.6
France	(FFr)	7.7217	-0.0088	191 - 243	[illegible]	[illegible]	7.7066	2.0	[illegible]	[illegible]	7.596	[illegible]	108.8
Germany	(DM)	2.2725	-0.0018	716 - 733	2.2799	2.2644	2.2673	2.7	2.2579	2.7	2.2106	2.7	109.5

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.5578	+0.0127	555 - 596	10.5810	10.5300	10.5403	2.0	10.5041	2.0	10.3426	2.0	106.5
Belgium	(BFr)	30.8340	+0.054	290 - 390	30.9000	30.7350	30.781	2.1	30.6745	2.1	30.194	2.1	107.4
Denmark	(DKr)	5.7950	+0.007	935 - 965	5.8058	5.7737	5.79	1.0	5.78	1.0	5.8025	-0.1	107.7
Finland	(FM)	4.6938	+0.0092	898 - 978	4.7043	4.6648	[illegible]	1.7	4.6751	1.6	4.6296	1.4	82.2
France	(FFr)	5.1012	+0.0094	005 - 019	5.1128	5.0886	5.0952	1.4	5.0853	1.2	5.0452	1.1	109.3

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

D-MARK FUTURES (IMM) DM 125,000 per DM

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

STERLING FUTURES (IMM) £62,500 per £

UK INTEREST RATES

LONDON MONEY RATES

THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

EMS EUROPEAN CURRENCY UNIT RATES

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

US TREASURY BILL FUTURES (IMM) $1m per 100%

EUROMARK OPTIONS (LIFFE) DM1m points of 100%

EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

BASE LENDING RATES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Notes	Price	+ or -	52 week high	low	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER INVESTMENT TRUSTS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT COMPANIES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE & HOTELS

Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE & HOTELS - Cont.

Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFE ASSURANCE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MEDIA

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL, INTEGRATED

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FINANCIAL

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FINANCIAL - Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PAPER, PACKAGING & PRINTING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHARMACEUTICALS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY - Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RETAILERS, FOOD

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RETAILERS, GENERAL

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RETAILERS, GENERAL - Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUPPORT SERVICES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUPPORT SERVICES - Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TELECOMMUNICATIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TEXTILES & APPAREL

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOBACCO

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRANSPORT

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WATER

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AIM

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AIM - Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gold Flds Prop R	[illegible]	[illegible]	+1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SASOL	[illegible]	611	+15	[illegible]	475	[illegible]	[illegible]	–
SA Brews	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Standard Bank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tiger Oats	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tongaat-Hulett	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- ∫ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend. b Figures based on [illegible] ACT guidelines. z Dividend yield excludes a special payment. [illegible] 1995-96. R Forecast annualised yield, p/e based on [illegible] prospectus or other official estimates for 1995. s Dividend yield excludes a special payment. K Yield based on prospectus or other official estimates for 1996. t Indicated dividend yield, p/e ratio based on latest annual earnings. L Estimated annualised yield, p/e based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. M Yield based on prospectus or other official estimates for [illegible]. v P/e ratios are calculated under new [illegible].

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

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Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

The share prices printed on these pages are also available on the internet at www.FT.com.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

Prices for dealing April 11th

Jupiter Tyndall (Bermuda) Ltd

PO Box HM1256, Hamilton, Bermuda

Jupiter Tyndall World Umbrella Fund Ltd

Newport Investment Management

73 Front Street, Hamilton, Bermuda

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mngmt Ltd

Butterfield Asset Management Co Ltd

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd

PO Box 248, St Peter Port, Guernsey 01481 725021

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Commercial Union Captives Inv Mngt

Consulta (Channel Islands) Limited

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

هكذا من الاصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credis Investment Funds - Contd.

Pictet Group

RBTG Global Funds

River & Mercantile Latin American SICAV

Rosenberg Global Mngt Co SA (n)

Rosenberg Management SA (n)

Rosenberg US Japan Mngmt Co SA (n)

B.d.G. Edmond de Rothschild (Luxembourg)

CMI Insurance Co Ltd - Contd.

CMI Ins Co Ltd/Clerical Med Gen Life Assce

Royal Life International - Contd.

Royal Scandia Life Assurance Ltd (a)

Chancelore Funds Limited

Cisecor Indian Investment Company Ltd

The China Fund

The China Invest Fund

Global Asset Management - Contd.

MD Sass Re/Enterprise International Ltd

Regent Kingpin Capital Management Ltd

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

London battles against slide on Wall Street

By Steve Thompson, UK Stock Market Editor

Talk that a number of US institutions had been switching funds from US stocks into European markets, with much of the cash moving into UK stocks, helped London equities resist much of the downward pressure from Wall Street yesterday.

The London market continued its recent resilient performance during initial exchanges yesterday, despite the 200 points slide in the Dow Jones Industrial Average. But it began to look extremely uneasy towards the close.

Wall Street dropped 70 points shortly after the opening yesterday, causing widespread alarm in European markets, before embarking on a good rally, which saw the Dow down less than 20 points 30 minutes after the close of London trading.

There was no apparent reason for Wall Street's latest fall. The producer price index for March came in 0.5 per cent higher, more or less in line with market expectations. US Treasury bonds, which dropped well over a point overnight, were ahead in the wake of the PPI data before coming off in later trading.

Adding to the general air of uncertainty in London was an expected humiliation for the Conservative Party in last night's by-election. A Tory defeat would reduce the Government's overall majority to one.

At the end of a confusing session, the FT-SE 100 index closed 23.2 lower at 3,744.2, only a couple of points below the day's low. The market's second-line stocks gave a much better performance, however, with the FT-SE Mid 250 up 3.4 at 4,390.5, an all-time high.

The second liners were being helped by gains in the housebuilders, which gave a belated response to the mortgage rate cut by the Nationwide.

Commenting on the day's performance, one senior marketmaker said London was "reluctantly going down; there isn't much selling pressure behind the performance, you just can't ignore Wall Street falling over 70 points." He said that if Wall Street stabilised then London would make progress this morning.

Another senior dealer said he thought sentiment on both sides of the Atlantic "feels dreadful," pointing to the dismal showing by the FT-SE 100 future. He said attendances in had been thin all week and that the return of some "big hitters" next week could see a definite change in sentiment.

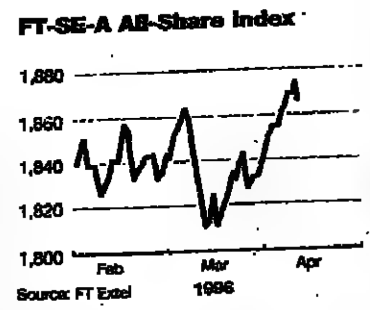
There could be more problems for Wall Street today, when inflation details for March are published.

Equity strategists remained impressed with London's resilience in the face of Wall Street's retreat. Mr Richard Kersley at BZW pointed to the recent funds being pushed into UK equities via personal equity plans. He also said the market was being held up by the recent burst of takeover speculation in many of the Footsie constituents.

In its latest Equity Market Strategy note, NatWest Securities said "the results season has revealed a solid base of earnings and dividend growth; the downside risk is relatively modest and we recommend buying into any weakness."

Turnover at 6pm reached 879.1m shares. Customer business on Wednesday was worth £2.1bn.

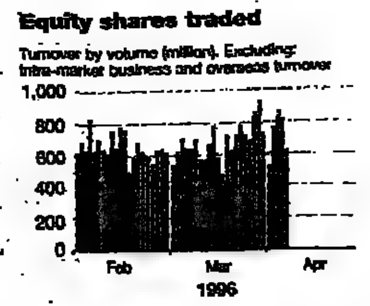
FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3744.2	-23.2	FT Ordinary index	2789.7	-13.00
FT-SE Mid 250	4390.5	+3.4	FT-SE-A Non Fins p/e	17.27	17.32
FT-SE-A 350	1887.4	-8.7	FT-SE 100 Fut Jun	3740.0	-34.0
FT-SE-A All-Share	1866.45	-7.80	10 yr Gilt yield	8.18	8.09
FT-SE-A All-Share yield	3.77	3.75	Long gilt/equity yld ratio:	2.24	2.24

Best performing sectors

1 Building & Construction +1.7
2 Building Mats & Merchs +1.4
3 Extractive Industries +1.2
4 Water +0.7
5 Gas Distribution +0.4

Worst performing sectors

1 Tobacco -2.9
2 Pharmaceuticals -2.1
3 Consumer Goods -1.5
4 Banks: Merchant -1.3
5 Banks: Retail -1.3

Building stocks in demand

Building stocks ran away with most of the main prizes yesterday, accounting for nine of the top 20 best performer places in the FT-SE 100 and FT-SE Mid 250 indices.

There were no specific stories driving the upturn. Dealers said the mortgage price war was helping sentiment, but that it was mostly a case of investors seeking value in a market squeezed by stock shortages.

One leading building analyst said: "It's been a good 1995 results season, especially for the contractors. We now have nearly all the forecasts on the screen, and there have been plenty of upgrades.

He made the point that institutional time horizons tend to move out fairly dramatically once most results are known. "Two weeks ago, investors looked no further than the next set of figures. Right now they are prepared to take an 18-month view", he said.

Building materials group **Blue Circle** added 9 to 364p to take pole position among Footsie performers. **Wolseley** gained 6 to 460p.

But the second liners provided the real bounce. **Marley** jumped more than 6 per cent, adding 8 to 137p. **Rugby Group** put on 7 to 126p, **Barratt Developments** gained 11 to 282p and **Persimmon** hardened 7 to 227p.

Lasmo, the exploration and production group, sheltered from the market's blustery performance, as one broker turned buyer.

BZW raised its recommendation on the stock and the heavy volume pointed to some active interest. There has been a seller of the shares depressing the price recently but that view was offset by some keen buying. With a further push from an increasing oil price the stock was steady at 182p.

Closing volume of 21m shares was boosted by two big block trades - one of 3.9m carried out at 180p a share and a second of 5m at 181p.

BZW was believed to have maintained its forecasts but pinpointed the market rating. One broker commented: "While Enterprise has outperformed the market by 10 per cent since the start of the year Lasmo has lagged, so it is not surprising that someone has taken a look at it."

RTZ jumps

RTZ, one of the world's biggest mining companies, jumped sharply on a dull day with a boost from Lehman Brothers, the US broker.

Lehman's mining analyst Mr Peter Davey has reinstated coverage of the company with a buy recommendation. He argues that "for the international investor, the share is our preferred blue chip play on long-term OECD growth and has a place in most portfolios".

The shares rose 17 to 978p, a record close, further helped by gains in metals and commodity prices. The Commodity Research Bureau price index rocketed to an eight-year high overnight in the US.

BP bucked the falls of other Wall Street related stocks as investors responded well to the company's annual meeting.

The company reaffirmed its belief that it will be able to boost post-tax profits by around 50 per cent over the next five years or so.

Mr John Browne, the chief executive, promised a growth rate of 8 per cent a year or more.

The shares gained 5½ to 591½p, with some investors switching funds out of **Shell Transport**, which dipped 7 to 871p.

The continuing shift by US investors away from defensive stocks saw **Zeneca** drop 27 to 1374p, **SmithKline Beecham** 26 to 655p and **Glaxo Wellcome** 10 to 788p. Meanwhile ICI, the cyclical buyers' favourite, was marked down in the morning but moved back into positive territory after Wall Street opened and closed 6 up at 918p.

BAT Industries, the hard-hit tobacco to insurance group, slipped 14 to 494p after the US competition authorities refused to allow it to sell off six of its discount cigarette brands.

The continued rise in **W.H. Smith**, up 8 to 484p, reflected continuing high expectations of a review of the company, due in May, by its new chief executive. This is expected to result in a disposal and tackling of the problems of Do-It-All. Analysts said the shares were "now looking expensive."

Oasis Stores rose 4 to 328p, indicative of the market's belief in the fashion retailer's potential, with some analysts having upgrading their forecasts. The market also believes there is a possibility of some cash distribution or special dividend.

Dixons increased 6 to 472p on rumours of a buy note.

Liberty, the quality retailer, gained 15 to 360p on media speculation over a possible bid for the company.

In the drinks sector **Bass** fell 12 to 746, after modest profit taking, as was the case for **J.D. Wetherspoon**, down 13 to 894p.

Vaux fell 4 to 280p, with one analyst attributing the slide to a statement by Ashbourne, the nursing home chain, that it had no intention of making a rights issue. This dampened speculation that it had Vaux's health care division, which is up for sale, in its sights.

Granada rose 7 to 800p. One analyst said there were no obvious bargains in the sector and so the market was attracted to a group that was trading well and confident of the future. **Cliveden**, one of the UK's most expensive hotels, made its market debut yesterday. The shares were issued at 73p and closed at 85p.

Dairy-related stocks continued to turn sour. A note from Credit Lyonnais Laing suggested that profits at Unigate, Northern Foods and Dalgety may have to be downgraded by between 10 and 20 per cent, should the government implement a slaughter programme for BSE-infected herds.

Feeds producer **Dalgety** shed 6 to 403p. Milk giants **Unigate** and **Northern Foods** came off 4½ to 410p and 2 to 175p respectively.

Arable farming group **Sentry Farming** jumped 33 to 251p for a two-day advance of 44 per cent following Wednesday's strong results statement.

A further round of profit downgrades pushed **British Steel** lower. James Capel and SBC Warburg are the latest brokers to trim earnings estimates for the group, and the shares came off 3 to 190½p in 8m traded.

A buy note from NatWest Securities sent **Elliott (B.)** up by 5 to 83p. The broker sees significant upside in the shares as restructuring benefits start to show through.

BET shares were heavily dealt, trading 38m on news of an improved bid from business support services rival Rentokil. They closed slightly better at 208½p - 3¼p short of the share and cash offer. **Rentokil** ended off 13 at 350p.

Hardy Oil & Gas was firm at 237p. It announced that Capital Group, the US fund, had increased its stake to 5.25 per cent from 3 per cent last week.

Dealings restarted in **Mentmore Abbey**, the stationery and self-storage group formerly known as Platignum. Against a 6.5p placing price for a new tranche of stock, the shares closed at 8p.

FINANCIAL TIMES EQUITY INDICES

	Apr 11	Apr 10	Apr 9	Apr 4	Apr 3	Yr ago	*High	*Low
Ordinary Share	2789.7	2802.7	2795.1	2796.7	2784.0	2446.7	2807.9	2596.7
Ord. div. yield	3.88	3.86	3.87	3.87	3.86	4.32	4.06	3.76
P/E ratio net	16.77	16.85	16.79	16.80	16.56	16.97	17.25	15.96
P/E ratio nil	16.52	16.61	16.54	16.58	16.24	16.89	17.03	15.76

[illegible]

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3748.0	3740.0	-34.0	3772.0	3734.0	14467	59230
Sep		3749.0	-34.0			0	7440
Dec		3775.0	-34.0			0	31

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4416.0	4416.0	+16.0	4416.0	4416.0	80	3519

FT-SE 100 INDEX OPTION (LIFFE) (*3743) £10 per full index point

[illegible]

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

FT GOLD MINES INDEX

	Apr 11	% chg on day	Apr 10	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (32)	2398.05	+1.0	2338.83	1998.32	1.38	-	2820.73	1722.83
Africa (13)	3030.00	-1.1	3033.16	2703.66	2.60	35.10	3353.86	2272.74
Australasia (9)	2873.32	-0.6	2874.48	2384.68	2.41	28.84	2907.34	2098.51
North America (10)	2134.81	-2.1	2168.85	1940.81	0.60	68.84	2188.20	1485.54

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FT - SE Actuaries Share Indices — The UK Series

	Apr 11	Day's chge%	Apr 10	Apr 9	Apr 4	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3744.2	-0.6	3767.4	3758.8	3766.6	2008.8	3.86	2.12	14.87	82.20	1521.82
FT-SE Mid 250	4390.5	+0.1	4387.1	4377.1	4383.3	3509.3	3.38	1.71	21.88	83.00	1751.86
FT-SE Mid 250 ex Inv Trusts	4423.6	+0.1	4418.6	4408.2	4416.8	3509.3	3.48	1.75	20.04	86.82	1787.82
FT-SE-A 350	1887.4	-0.5	1896.1	1891.7	1891.3	1592.4	3.83	2.04	15.86	30.41	1567.77
FT-SE-A 350 Higher Yield	1822.3	-0.7	1835.1	1833.2	1837.1	1804.3	4.58	1.80	12.97	37.88	1264.80
FT-SE-A 350 Lower Yield	1869.2	-0.3	1866.2	1856.7	1863.1	1580.5	2.88	2.29	20.34	23.41	1380.12
FT-SE SmallCap	2117.80	+0.1	2114.84	2109.70	2108.84	1743.34	3.08	1.77	23.80	18.89	1726.23
FT-SE SmallCap ex Inv Trusts	2104.36	-0.2	2100.20	2094.58	2093.72	1719.32	3.26	1.88	20.77	17.01	1724.83
FT-SE-A ALL-SHARE	1866.45	-0.4	1874.25	1869.86	1869.53	1571.44	3.77	2.02	16.38	28.89	1574.38

FT-SE Actuaries All-Share

[illegible]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3749.5	3749.8	3748.6	3749.1	3754.0	3754.3	3757.2	3758.8	3743.4	3761.5	3742.1
FT-SE Mid 250	4379.8	4382.3	4385.4	4387.6	4387.2	4388.7	4390.6	4393.6	4390.8	4396.7	4379.7
FT-SE-A 350	1888.4	1888.8	1888.8	1889.0	1891.0	1891.1	1892.5	1893.4	1887.1	1894.7	1888.6

FT-SE Actuaries 350 industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1149.9	1162.2	1170.5	1168.8	1169.9	1172.2	1172.8	1173.8	1173.9	1150.5	+23.4	
Pharmaceuticals	4774.1	4770.3	4752.2	4752.3	4754.8	4763.1	4784.8	4765.0	4722.4	4772.8	-104.1	
Water	2134.9	2135.6	2144.8	2147.7	2148.5	2147.8	2150.1	2150.7	2149.2	2133.7	+16.2	
Banks, Retail	3869.4	3864.6	3863.4	3865.2	3867.4	3866.0	3868.9	3890.7	3880.7	4022.2	-50.6	

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible]

TRADING VOLUME

Major Stocks Yesterday

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 11 / Sch)

BELGIUM/LUXEMBOURG (Apr 11 / Frs.)

CZECH REP (Apr 11 / Korunas)

DENMARK (Apr 11 / Kr)

FINLAND (Apr 11 / Mks)

FRANCE (Apr 11 / Frs.)

GERMANY (Apr 11 / Dm.)

GREECE (Apr 11 / Drachma)

ITALY (Apr 11 / Lire)

NETHERLANDS (Apr 11 / Fls.)

NORWAY (Apr 11 / Kroner)

POLAND (Apr 11 / Zloty)

PORTUGAL (Apr 11 / Escudo)

SPAIN (Apr 11 / Pts.)

SWEDEN (Apr 11 / Kronor)

SWITZERLAND (Apr 11 / Frs.)

TURKEY (Apr 11 / TL Lira)

PACIFIC

JAPAN (Apr 11 / Yen)

HONG KONG (Apr 11 / H.K.$)

INDONESIA (Apr 11 / Rupiah)

MALAYSIA (Apr 11 / MYR)

NEW ZEALAND (Apr 11 / NZ $)

SINGAPORE (Apr 11 / S$)

AUSTRALIA (Apr 11 / Aus$)

SOUTH KOREA (Apr 10 / Won)

TAIWAN (Apr 11 / TW $)

THAILAND (Apr 11 / Baht)

AFRICA

SOUTH AFRICA (Apr 11 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 11 / Can $) 4 pm close

MONTREAL (Apr 11 / Can $) 4 pm close

INDICES

INDEX FUTURES

US INDICES

Dow Jones	Apr 10	Apr 9	Apr 8	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5485.98	5560.41	5594.37	5689.74 (3/4)	5032.94 (10/1)	5689.74 (3/4/96)	41.22 (2/7/32)
Home Bonds	102.40	102.39	102.39	108.08 (14/2)	102.39 (8/4)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2145.77	2171.25	2167.94	2215.21 (19/3)	1882.71 (18/1)	2215.21 (19/3/96)	12.32 (8/7/32)
Utilities	208.89	209.89	209.01	224.80 (12/2)	208.89 (10/4)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5601.23 (5644.58) Low 5452.02 (5530.06) (Theoretical†)
Day's high 5567.99 (5617.85) Low 5473.34 (5550.28) (Actual†)

Standard and Poors	Apr 10	Apr 9	Apr 8	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	633.50	642.19	644.24	661.45 (12/2)	598.48 (10/1)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials¶	752.22	761.65	763.74	778.23 (22/2)	702.07 (15/1)	778.23 (22/2/96)	3.62 (21/6/32)
Financial	63.70	66.40	66.04	66.58 (5/3)	58.67 (10/1)	66.58 (5/3/96)	8.54 (1/10/74)
NYSE Comp.	340.93	345.13	345.65	351.92 (4/4)	321.41 (10/1)	351.92 (4/4/96)	4.46 (25/4/42)
Amex Mkt Val	569.96	572.71	570.48	577.10 (4/4)	520.05 (18/1)	577.10 (4/4/96)	29.31 (9/12/72)
NASDAQ Comp	1105.28	1109.15	1105.66	1118.21 (4/4)	988.57 (15/1)	1118.21 (4/4/96)	54.87 (31/10/72)

■ RATIOS

	Apr 5	Mar 29	Mar 22	Year ago
Dow Jones Ind. Div. Yield	2.11	2.15	2.13	2.61
	Apr 10	Apr 3	Mar 27	Year ago
S & P Ind. Div. yield	1.92	1.86	1.87	2.28
S & P Ind. P/E ratio	20.83	21.43	21.21	18.11

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Motorola Inc	8,988,400	56½	+4⅝
WMX Tech	8,877,700	33⅛	+⅛
AT & T	6,723,300	61⅜	+⅜
Micron Tech	6,876,800	32¾	-⅞
Federal Natl	5,855,700	29¾	-1¼
K-Mart	5,627,300	9½	+¼
Merck	5,269,700	58¾	-2⅝
Lucent Tech	4,855,900	32	-⅛
Compaq Com	3,986,200	39¾	+¾
Telef Mex	3,599,600	33	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Apr 10	Apr 9	Apr 8
New York SE	477.971	423.762	414.920
Amex	21.841	21.403	20.721
NASDAQ	589.543	574.012	528.969
NYSE			
Issues Traded	3,122	3,122	3,127
Rises	839	1,406	326
Falls	1,587	977	2,368
Unchanged	696	739	433
New Highs	101	103	24
New Lows	29	15	79

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	633.60	635.85	+2.80	637.00	630.50	85,873	173,958
Sep	–	638.60	+3.30	–	–	810	5,153

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	21730.0	21740.0	–100.0	21820.0	21670.0	16,116	257,104
Sep	21850.0	21860.0	–90.0	21850.0	21860.0	11	13,011

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, April 11, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Stl Corp	21.3m	378	+6
NKK Corp	19.2m	335	+13
Mitsui E & S Bld	16.5m	350	+11
Mitsubishi Heavy	15.3m	954	+16
Kanematsu Corp	9.1m	525	+35
Japan Energy	8.4m	407	+12
Fuji Kosan	8.3m	485	+15
Sumitomo Mtl Ind	8.1m	339	+4
Kawasaki Steel	8.0m	398	+2
Ishi-Har Hvy Ind	7.8m	523	+7

FT FREE ANNUAL REPORTS SERVICE

4 pm close April 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close April 11

NYSE COMPOSITE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
27⅞	18⅝	Schwab(C)	0.16	0.7	23	4311	23½	22¾	23	-½
28⅞	22¾	SchwMaud			14	224	28¾	26½	28¾	
19½	13⅛	SciAtl	0.06	0.4	38	1071	17½	17	17⅛	-⅛
18⅝	17	Scotsman	0.10	0.6	11	23	18¼	18⅛	18⅛	
43½	38⅛	Scripps	0.52	1.3	24	259	41⅛	40⅝	40⅞	-¼
18⅛	14½	ScuddNAsF	0.02	0.1		131	15¾	15⅝	15¾	-⅛
11⅞	11	ScuddHEoF	0.16	1.4		132	11¾	11¾	11¾	
18	16	SeaCoB	0.70	4.1	2	382	17	17	17	-⅛
18	15⅛	SeaC1 4625	1.46	9.7		23	15½	d15⅛	15⅛	
67¾	44¾	S'gate			11	5801	59¾	57½	58¾	-⅞
38⅞	31¾	Seagram	0.60	1.9	22	5407	32⅛	d31¾	32	+¼
23¼	17⅛	Seagull En			117	823	u23¾	22⅞	22¾	-¼
35¼	26	Sealed Air			26	775	33	32⅞	32⅝	-⅝
51⅞	38¼	SearsR	0.92	1.9	13	19459	49	47½	49	+2¾
22¼	19¼	SecCapSBI	1.24	5.8	25	320	21½	21¼	21⅜	-⅛
13	12	Seligm Sel	0.84	7.0		86	12⅛	d12	12	
23¾	13⅝	Sensormat	0.22	1.0	80	3639	22⅞	22⅛	22½	-⅛
35⅝	29½	SequaA	0.60	1.7	61	29	35	34¾	35	+¼
41⅝	39	SequaB	0.50	1.2	71	3	40¾	40¾	40¾	-¼
52	36⅞	ServCp	0.48	1.0	27	4383	49¾	48⅞	48⅞	-⅝
33½	29⅛	SvMstr	0.96	3.1	14	1201	31⅞	31¼	31¼	-¼
6	4½	ServMerch			10	1463	5⅜	5¼	5⅜	
41½	28½	SGSThm			9	1371	38⅞	37½	37¾	
15⅛	10⅝	Shaw Ind	0.30	2.7	23	3958	11⅜	10⅞	11¼	
12⅞	10⅝	Shelby Wil	0.28	2.3	15	6	12⅞	12¼	12¼	-⅛
83½	76⅝	ShellTr x	3.90	4.1	17	61450	81	80¾	81	+¼
45⅞	39	SherW	0.70	1.7	18	1250	43⅛	41⅞	42¼	-⅝
10¼	7⅞	Shoneys			11	841	10⅛	10	10⅛	
32	21	Showboat	0.10	0.3	34	1139	30	28¾	28⅝	-1½
25½	22¾	Sierra Pac	1.18	4.8	12	260	24⅝	24⅜	24⅜	-¼
8	6¼	SignalApp			1	28	6¾	6½	6⅝	
27¼	21⅜	Signet Bnk	0.80	3.3	12	1044	24⅞	24	24⅛	-⅛
[illegible]										

- T -

- U -

- V -

- W -

- X - Y - Z -

[illegible]

Prices data supplied by Telekurs

AMEX COMPOSITE PRICES

4 pm close April 11

[illegible]

NASDAQ NATIONAL MARKET

4 pm close April 11

- B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

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AMERICA

Worries on inflation leave Dow volatile

Wall Street

Fears about the possibility of inflationary pressures led US share prices to swing wildly through the morning yesterday, before they settled back with modest losses by early afternoon, *writes Lisa Bransten in New York.*

Shares had jumped at the start of trading, with the Dow Jones Industrial Average climbing by more than 25 points as Wednesday's 74 point loss brought some bargain hunters back again into the market-place.

The gains proved short-lived, however as the Dow tumbled more than 70 points at mid-morning before regaining its footing.

By 1 pm. the blue chip index was off 36.49 at 5,449.49, the Standard & Poor's 500 fell 5.62 at 627.88 and the American Stock Exchange composite lost 1.89 at 568.37.

The Nasdaq composite lost 8.59 at 1,096.69.

Volume on the New York stock exchange was heavy at some 321m shares.

Both the equity and bond markets were troubled by labor department figures showing a 0.5 per cent gain in March producer prices and a jump in the price of crude oil to more than $24 a barrel.

However, much of the renewed worry about inflationary pressures has been priced into the markets over this week after last Friday's strong figures on employment growth. Between last Friday and Wednesday, the Dow gave up almost 200 points and the long bond fell nearly 3½ points pushing the yield to 6.937 per cent.

Rising long term interest rates once again took a toll in interest-rate sensitive financial companies including commercial banks even as some reported strong first quarter earnings.

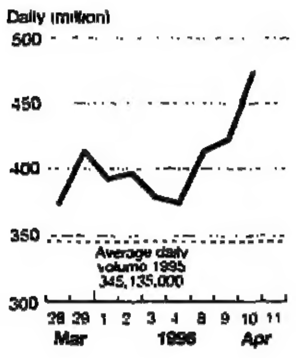
JP Morgan, which is a component of the Dow, shed $2¾ at $76⅞, Bank of New York lost $1 at $47⅞ and First Bank Systems dropped $⅞ at $57¾.

Shares in semiconductor companies, which had been showing signs of stabilising after several months of declines, fell yesterday on renewed worries about demand.

Altera, a US semiconductor equipment company, reported on-target first quarter earnings late on Wednesday, but it also said that orders had dropped between January and March. Shares in the company fell $11⅞, or 19 per cent to $49⅞, and were the most heavily traded shares on the Nasdaq.

Xilinx, which makes similar products, was off $3⅛ or 10 per cent at $32⅛.

NYSE volume



Canada

Toronto turned back from its best early levels at midsession and the TSE-300 composite index by noon was 1.97 weaker at 5,021.60 in hefty volume of 54.7m shares.

Golds dominated Toronto's most actives list. Bema Gold rose C$⅝ to C$5⅛ while the giant Placer Dome also added C$⅝ to C$40⅜.

Shares in Westmin Resources, at the centre of recent takeover rumours, fell by C$½ to C$9¼ in heavy trading after he company announced plans for a C$100m offering of shares and warrants.

Latin America mixed

SAO PAULO opened flat, then drifted slowly downward as investors watched events in the US. By midday the Bovespa index had 169 to 48,726.

MEXICO CITY opened sharply higher helped by a flurry of positive economic data and peso stability. The IPC index moved to 3,067.27 before slipping back to 3,042.59 by midday. A lower-than-expected fall in January industrial growth and reasonable March inflation propped up the market on Wednesday. The country's February trade surplus was reported at $418m down from a surplus of $704m the previous month.

CARACAS was well bid on strong demand from local and foreign investors who were encouraged by signs that the government was about to lift exchange controls and implement other economic reforms. The Merinvest index was up 5.87 or 3.3 per cent at 185.41.

BUENOS AIRES was modestly up in early trade as sentiment remained veryu positive. The Merval index was up 2.33 at 512.21 by midday.

S.Africa golds make gains

South African industrials stumbled lower in afternoon trade to end at the day's worst levels as foreigners returned to the market to sell off stock.

Gold shares, however, gained ground on a steady bullion price which pushed the index 1.6 per cent firmer, but gains were capped by a slightly stronger rand and nervousness about the currency's continued volatility.

The overall index ended down 0.4 at 6,653.9, industrials slipped 25.1 to 8,060.2 and golds gained 23.7 to 1,798.6.

Among golds, Western Deep Levels rose R6.50 to R188.50, Free State Consolidated Gold Mines rose R1 to R40.50 and Harmony Gold Mining edged up 75 cents to R50.25.

Among the smaller miners, Buffelsfontein Gold Mining continued its solid run this week by adding a further 75 cents to R14.50 and Southvaal Holdings, which relies on royalty payments from Vaal Reefs Exploration & Mining, climbed R7 to R160.

EUROPE

Continental bourses feel the draft from the US

The US played its part in unsettling the markets on the continent. **FRANKFURT** illustrated the trend with the Dax closing down 20.31 at 2,509.71, while Ibis slipped further to 2,508.12.

James Capel recommended an overweight stance in the market earlier this month and said that it forecast a year-end Dax target of 2,650. The broker noted that "within a European context, core hard currency markets remain overweight, owing to the potential for further cuts in rates across the whole yield curve. In Germany our strategy remains unchanged: by selecting companies offering growth, internationalisation, together with shareholder value and transparency of earnings, investors may avoid the low growth domestic economy."

There was interest in Daimler which made a number of statements about expectations for the coming year, but the shares ended the Ibis unchanged at DM817.

PARIS got its rate cut but it was viewed with indifference, being too small to generate enthusiasm, and in any case had been flagged by observers some days ago. During the morning the Bank of France cut the intervention rate for the fifth time this year, lowering it to 3.7 per cent from 3.8 per cent. The bank left the five-to-10 day emergency lending rate unchanged at 5.5 per cent. The CAC-40 index responded by closing down 21.42 at 2,072.52.

Lyonnaise des Eaux satisfied the market with its 1995 results and 1996 forecasts and the shares rallied FFr19.40 to FFr496.40. In contrast Générale des Eaux lost FFr5.50 to FFr521. Another riser on the 1995 results theme was Schneider which made FFr1.10 to FFr229. The electrical engineering group said it was aiming to sell some of its divisions as part of the ongoing restructuring scenario, which aimed at doubling profits by the turn of the century.

AMSTERDAM experienced some profit-taking which brought the AEX index down 1.51 to 543.26. While the overall trend was downward there were a number of exceptions, including, most significantly, Océ van der Grinten which rose Fl 2.60 to Fl 162.10 as subscriptions to the company's share issue closed ahead of schedule, which indicated stronger than expected investor demand.

Wolters Kluwer was another stock which attracted demand, adding Fl 4.70 to Fl 192.70, although other publishers did not fare so well, with Elsevier slipping 50 cents to Fl 26.50.

Ahold expressed the mood of the session, with a loss of Fl 1.60 to Fl 86.60, as some brokers continued to downgrade the stock following the group's announcement last week of its purchase of Stop & Shop in the US. Many analysts believe the acquisition will be good for the Dutch company in the long run, but felt that it would be difficult to improve STop & Shop's profitability since it was already a strong operator. Another negative was the size of Ahold's likely new share issue to finance the deal, which was expected to come to the market either in June or the early autumn.

ZURICH turned to the US for its lead as investors awaited a statement from the UBS board, after the market closed, on its response to the merger plan floated by CS Holding earlier in the week. The SMI index lost 34.6 to 3,566.9 as the firming dollar did little to help equities.

The market remained sceptical about a fusion of CS Holding and UBS. James Capel saw significant reasons why the merger might well not go ahead, adding that it was difficult to see the attraction to the UBS board. It believed that the large degree of overlap between the two institutions and cartel considerations pointed to the merger being more of a possibility than a probability.

UBS bearers gave up another SFr9 to SFr1,284 and CS Holding lost 25 centimes at SFr113. SBC, still benefiting from switching from the other two banks, was flat at SFr437.

Elsewhere, pharmaceuticals bore the brunt of the day's selling. Ciba lost SFr23 to SFr1,401, Sandoz was SFr24 down at SFr1,320 and Roche certificates dropped SFr105 to SFr9,655.

MILAN extended the rally that began on Tuesday in early trade before profit-takers and sellers turned out in force leaving the market to close down on the day. The Comit index registered a rise of 5.45 to 612.93, but the real-time Mibtel index turned back from a high of 9,842 to finish 63 weaker at 9,681.

ENI, the energy giant gave up some of Wednesday's impressive gains to close L41 weaker at L6,107.

Elsewhere, within the ENI group, Italgas fell L149 to L4,680 after reporting that consolidated net profit rose a lower than expected 20 per cent.

Fiat lost L44 to L5,275 and Pirelli fell L62 to L2,294.

MADRID was weak in line with Wall Street and with domestic political factors weighing on sentiment. The general index fell 1.88 to 344.81 as analysts commented that an apparent standstill in political moves towards the formation of a stable Popular Party government meant that the market's future direction depended to an even greater extent on events abroad.

Huarte, the construction group, rose Pta49 to Pta379 after announcing that it was engaged in talks to sell 25 to 50 per cent of its capital.

BUDAPEST was modestly lower with with many institutions turning more pessimistic than of late. The BUX index lost 7.53 to 2,444.01, as turnover soared to Ft998.5m from Wednesday's Ft325.5m.

Dealers noted that the rise in turnover was due mainly to some significant deals in Pick, the meat processor, which announced plans to lift its dividend ratio by 15 per cent on its 1995 results, from 11.5 per cent a year ago.

The stock made Ft55 to Ft6,955.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Apr 11 / Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1636.43	1636.77	1637.98	1636.78	1635.98	1638.18	1640.81	1640.35
FT-SE Eurotrack 200	1691.73	1691.52	1691.35	1693.63	1694.07	1694.91	1695.12	1695.84

	Apr 10	Apr 9	Apr 4	Apr 3	Apr 2
FT-SE Eurotrack 100	1643.23	1632.95	1629.39	1625.48	1630.28
FT-SE Eurotrack 200	1701.29	1694.72	1692.77	1685.33	1689.81

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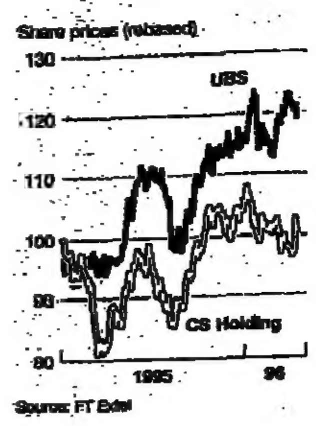

Source: FT Extel

Written and edited by Michael Morgan and John Pitt

ASIA PACIFIC

Nikkei edges lower as Hong Kong tumbles 1.7%

Tokyo

Although Wednesday's decline on Wall Street prompted broadly based profit-taking, demand from domestic institutions provided underlying support and the Nikkei index closed only marginally lower, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average closed down 97.27, or 0.5 per cent, at 21,694.43 after moving between 21,649.42 and 21,782.36. Caution set in following the 74-point decline in overnight trading on Wall Street, which prompted a fall in the futures market and arbitrage selling. However, domestic institutions picked up shipbuilders while foreign investors bargain hunted large capital steels.

Volume was 694m shares against 661m. The Topix index of all first section stocks rose 2.63 to 1,672.34 and the Nikkei 300 gained 0.35 to 310.47. Advances led declines by 599 to 476 with 155 issues remaining unchanged.

In London, the ISE/Nikkei 50 index rose 2.34 to 1,447.58.

An agreement between the ruling coalition and the leading opposition party to vote on the budget bill and temporarily to freeze the *jusen* package failed to affect confidence. Traders said the *jusen* debacle had already been discounted into share prices and that investors were focused on the course of the US economy.

Steels were firm on buying by overseas investors and domestic institutions. Nippon Steel, the most active issue of the day, rose Y6 to Y378 and NKK gained Y13 to Y335.

Shipbuilders were higher with Mitsubishi Heavy Industries up Y16 to Y954 and Mitsui Engineering and Shipbuilding climbing Y11 to Y350.

Higher commodity prices lifted energy and mining stocks. The rise in crude oil prices lifted oil refiners with Japan Energy up Y12 to Y407 and Mitsubishi Oil adding Y31 to Y962. Among mining stocks, Sumitomo Metal Mining gained Y30 to Y1,100 and Mitsubishi Materials rose Y24 to Y640.

High-technology stocks were mixed. Expectations of weaker semiconductor demand in the US, which hit the sector on Wednesday, continued to affect Toshiba, which fell Y6 to Y822. NEC, however, gained Y10 to Y1,270 on bargain hunting and Fujitsu added Y30 to Y1,060.

Profit-taking hit car stocks which had risen on the dollar's strength against the yen. Honda Motor down Y30 to Y2,290 while Toyota Motor remained unchanged at Y2,360.

The delay in the government's Y685bn *jusen* bailout failed to affect bank stocks. Industrial Bank of Japan fell Y30 to Y2,860 but Sumitomo Bank rose Y20 to Y2,180. Nippon Trust Bank, an ailing trust bank, rose Y47 to Y505 on the Y40bn support provided by Bank of Tokyo Mitsubishi.

In Osaka, the OSE average rose 51.99 to 23,184.03 in volume of 73.5m shares.

Roundup

HONG KONG was unable to ignore Wall Street's overnight fall and the Hang Seng index dropped 187.98 or 1.7 per cent to 10,892.57 but in modest turnover of HK$4.4bn.

Leading index stocks and recently strong property issues suffered most.

HSBC and HK Telecom tumbled HK$2 to HK$114.50 and 35 cents to HK$14.55 respectively. Hutchison lost 70 cents to HK$48.70 and Swire A slipped HK$2 to HK$84.75.

Among major developers, Cheung Kong dropped HK$1.25 to HK$56.25, Sun Hung Kai Properties fell 75 cents to HK$73.75, Henderson Land fell HK$1 to HK$55.25 and New World tumbled HK$1.40 to HK$34.90.

Casual wear group Giordano dropped 40 cents to HK$7 on persistent rumours that more of its China outlets had been closed down.

TAIPEI reversed an early climb to close lower as heavy profit-taking emerged after recent rallies.

The weighted index lost 56.53 or 1 per cent to 5,712.50 against a high of 5,906.07. Turnover was T$114.5bn, the highest since the end of December 1994.

Brokers said that late selling was concentrated on plastics and electronics, which declined by 3.6 per cent and 3.2 per cent respectively. China Petrochemical fell 60 cents to T$24.20 and Hon Hai dived by the daily limit to T$54.

Financials, which had risen by more than 4 per cent, closed up just 0.1 per cent, with Shin Kong Life limit up to T$80.50.

● Taiwan's OTC market reported record turnover of T$1.03bn on Thursday. The OTC index advanced 5.02 or 4 per cent to 129.21, a new high.

There are 56 companies listed on the OTC exchange, and the exchange hopes to have 100 listings by the end of 1996. A total of 273 securities houses and branches have linked with the exchange's trading system, and the exchange hopes to have 550 securities houses and branches linked with its system.

The OTC market is small compared with the stock market, but its trading has jumped since a new system was introduced in late 1995.

WELLINGTON grew gains in Telecom and Carter Holt Harvey as the NZSE-40 Capital Index rose 3.30 to 2,139.95. Fletcher Paper gained 7 cents to NZ$2.80.

There was excitement in Trust Bank, up 14 cents to NZ$2.75, its highest ever close on expectations of a merger with another bank. Trust Bank yesterday posted a letter to its shareholders advising them not to sell pending an announcement in seven days.

SYDNEY closed modestly higher with mining and oil stocks outperforming most other sectors. The miners, such as Broken Hill Proprietary and WMC showed particular strength, gaining 28 cents to A$18.67 and 22 cents to A$8.90 respectively.

The All Ordinaries index added 9.4 to 2,234.8.

The gold index climbed 1 per cent, while oil and gas rose 0.5 per cent.

SINGAPORE was mixed with some demand seen for blue chips and situational stocks as traders squared their positions ahead of yesterday US economic data, in case of an adverse impact on Wall Street stocks..

The Straits Times Industrials index ended down 5.23 at 2,384.75 in volume of 103.2m shares.

Hotel Properties was among the most actively traded stocks, adding 5 cents at S$2.66 on talk of the company selling its latest condominium project at record prices.

Late fund buying in the taxi operator, Comfort Group, took the share 5 cents higher at S$1.36.

KUALA LUMPUR's blue chips were weak while Second Bard stocks added to their recent advance. The composite index ended down 4.13 to 1,147.61, but the small-capitalisation Second Board advanced 7.45 to 496.02.

● Seoul was closed for parliamentary elections.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	WEDNESDAY APRIL 10 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY APRIL 9 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (81)	201.00	0.5	196.50	137.85	156.72	169.48	0.2	4.10	199.96	194.39	136.80	155.08	169.11	202.74	162.88	170.51
Austria (25)	181.72	0.5	177.66	124.63	141.69	141.50	1.0	1.80	180.80	175.78	123.69	140.22	140.08	199.28	168.11	184.78
Belgium (34)	208.80	0.1	204.12	143.19	162.79	158.64	0.7	4.13	208.51	202.70	142.65	161.71	157.60	215.81	184.81	184.81
Brazil (29)	151.14	1.0	147.76	103.66	117.84	275.23	1.0	1.60	149.69	145.52	102.41	116.09	272.58	170.25	109.87	114.03
Canada (100)	159.40	0.6	155.89	109.36	124.32	156.81	0.6	2.39	158.55	154.13	108.47	122.96	155.83	159.46	133.16	133.16
Denmark (30)	297.97	0.7	291.20	204.28	232.24	234.48	1.2	1.90	295.84	287.59	202.39	229.44	231.75	305.17	256.18	255.18
Finland (24)	178.47	2.3	174.48	122.40	139.15	175.46	2.7	2.83	174.47	169.61	119.36	135.32	170.87	278.11	171.73	184.15
France (98)	196.10	0.2	191.71	134.49	152.90	156.82	0.6	3.01	195.67	190.21	133.86	151.75	156.85	196.88	167.70	180.54
Germany (60)	173.51	0.5	169.62	118.99	135.28	135.28	1.0	1.84	172.65	167.84	118.12	133.90	133.90	174.38	146.95	146.95
Hong Kong (59)	436.41	-0.2	426.64	299.29	340.26	433.25	-0.2	3.26	437.43	425.24	299.26	339.25	434.28	451.19	323.87	339.50
Ireland (16)	265.93	-0.2	259.97	182.37	207.34	239.32	0.3	3.39	266.45	259.02	182.29	206.65	238.59	267.91	215.82	215.82
Italy (52)	75.61	2.4	73.91	51.85	58.95	88.73	2.6	2.06	73.87	71.81	50.54	57.29	86.51	82.71	67.21	67.48
Japan (481)	154.57	0.0	151.11	106.00	120.51	106.00	0.2	0.72	154.56	150.25	105.74	119.87	105.74	164.82	137.75	156.69
Malaysia (107)	554.95	1.5	542.43	380.52	432.60	539.40	1.1	1.62	546.73	531.48	374.04	424.03	533.38	561.96	425.77	479.13
Mexico (18)	1201.86	1.8	1174.95	824.24	937.05	9838.28	1.1	1.41	1180.85	1147.91	807.84	915.81	9735.19	1237.14	791.99	921.66
Netherland (19)	291.90	0.9	285.26	200.12	227.51	223.12	1.5	3.16	289.06	281.01	197.76	224.19	219.80	291.80	235.13	235.66
New Zealand (15)	81.75	0.3	79.92	56.07	63.74	63.67	0.5	4.32	81.49	79.22	55.75	63.20	63.38	85.49	76.26	79.99
Norway (33)	241.68	1.2	236.27	165.75	188.43	212.62	1.6	2.46	238.82	232.16	163.38	185.22	209.37	243.79	213.52	213.52
Singapore (44)	441.98	0.9	431.99	303.05	344.52	286.98	1.0	1.32	437.95	425.74	299.62	339.66	284.02	465.21	355.81	359.58
South Africa (45)	360.56	-1.3	352.49	247.28	281.12	329.61	-0.7	2.56	365.33	355.15	249.94	283.34	331.76	437.76	338.81	348.19
Spain (37)	172.50	0.0	168.64	118.30	134.50	163.90	0.6	3.37	172.50	167.69	118.01	133.79	162.88	175.88	134.06	134.35
Sweden (48)	334.12	0.0	326.64	229.14	260.51	331.91	0.0	2.40	334.04	324.73	228.53	259.07	331.95	352.28	241.23	243.38
Switzerland (39)	242.53	-0.7	237.10	166.33	189.10	182.91	0.2	1.55	244.26	237.47	167.12	189.46	182.58	252.34	181.68	181.88
Thailand (46)	184.75	-0.7	180.62	126.71	144.05	181.54	-0.6	1.80	186.03	180.85	127.27	144.28	182.67	193.95	134.53	136.60
United Kingdom (204)	231.61	-0.3	226.43	158.84	180.58	226.43	0.2	4.04	232.35	225.88	158.96	180.21	225.88	235.50	206.26	206.76
USA (629)	258.23	-1.4	252.45	177.10	201.34	258.23	-1.4	2.24	261.89	254.59	179.17	203.11	261.89	269.11	206.41	207.25
Americas (775)	236.01	-1.3	230.72	161.86	184.01	198.33	-1.3	2.23	239.08	232.42	163.56	185.42	200.92	245.54	189.06	189.81
Europe (726)	208.13	0.1	203.47	142.74	162.27	182.06	0.7	3.01	207.86	202.08	142.20	161.21	180.87	209.03	178.19	178.26
Nordic (135)	288.16	0.5	281.71	197.62	224.67	250.81	0.7	2.36	286.64	278.65	196.10	222.30	249.13	297.48	231.84	231.84
Pacific Basin (533)	167.91	0.1	164.15	115.15	130.91	117.49	0.3	1.15	167.77	163.09	114.78	130.12	117.18	171.87	148.88	164.26
Euro-Pacific (1559)	184.56	0.1	180.43	126.57	143.90	142.00	0.5	2.03	184.37	179.23	126.13	142.99	141.37	185.05	165.51	170.00
North America (729)	252.03	-1.3	246.39	172.85	196.50	251.33	-1.3	2.24	255.43	248.31	174.75	198.10	254.71	262.26	202.03	202.66
Europe Ex. UK (522)	190.18	0.4	185.93	130.43	148.28	156.24	0.9	2.46	189.47	184.19	129.63	146.95	154.87	190.78	159.17	159.17
Pacific Ex. Japan (352)	291.45	0.4	284.93	199.88	227.24	252.20	0.3	2.94	290.26	282.17	198.57	225.11	251.49	293.58	237.71	240.17
World Ex. US (1750)	185.60	0.1	181.44	127.29	144.71	146.12	0.4	2.04	185.40	180.23	126.84	143.79	145.49	186.17	167.36	170.26
World Ex. UK (2175)	205.34	-0.6	200.74	140.82	160.10	173.60	-0.4	1.93	206.47	200.72	141.25	160.13	174.29	209.05	176.75	176.83
World Ex. Japan (1898)	237.32	-0.7	232.00	162.75	185.03	224.52	-0.5	2.55	238.96	232.30	163.48	185.33	225.88	242.36	196.03	196.24
The World Index (2379)	207.68	-0.5	203.03	142.43	161.93	178.38	-0.3	2.12	208.79	202.97	142.84	161.93	178.99	211.20	181.17	181.29

PLEASE NOTE: Amendments to indices 8/4/96 applied to Japan, related regional indices and The World index. Latest prices were unavailable for this edition.